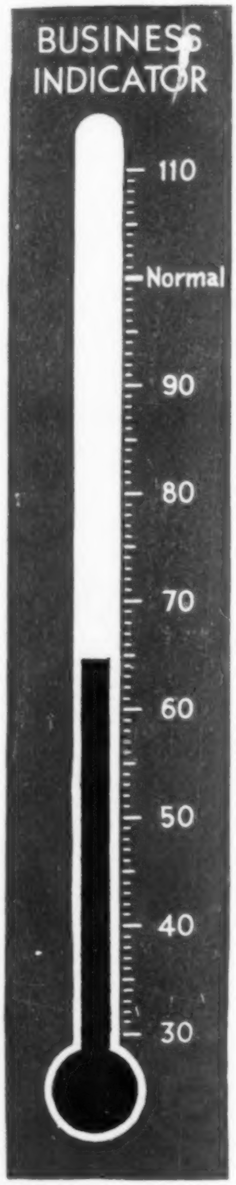
THE BUSINESS WEEK

JAN 6, 1932



Business begins another year in the uncertain atmosphere of several unresolved issues which still obscure the outlook . . . . The difficulties of the domestic banking situation, the political complexities of the war debt and reparations problems, the critical condition of railroad credit, and the fiscal difficulties of the federal government are the outstanding obstacles to basic business revival because it is hard to see at the moment how, or how soon, they will be settled . . . . But it is clear that decisive action on each of them is under way, and that by the second quarter of the year the news—good or bad—about all of them will be out . . . . The disturbing uncertainties that are delaying business planning will be behind us, and we shall know what to expect in all of them . . . . When the news is out we shall be sure that, so far as this country is concerned, there isn't any more to come, and the way will be cleared for recovery. It is reasonable to expect that the security markets and the basic industries will respond promptly to the clarification of the outlook, whether it indicates that rigorous readjustment is necessary or that resumed expansion is possible . . . . Our reading of the underlying conditions and tendencies in the domestic situation is that during 1932 deflation will be checked and further drastic readjustment avoided, and that the process of industrial expansion that has persisted in this country almost continuously for a century or more will be resumed until, in three or four years, industrial activity will rise to a new peak and the doubts and difficulties of the present be forgotten.

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Bus. Adm.

This Business Week

Foreign

EUROPE struggles into 1932 with the compass crazy and the German crew muttering ominously, its best hope not to make port, but just to hold its own against the tides of politics and debt. *The Business Week's* European News Bureau reviews the possibilities and probabilities of a sad situation. (p. 5)

MEAGER results of the bankers' meeting at Basle reflect the national attitudes of Germany's creditors: all agree something must be done—quickly—but nobody wants to do it. (p. 29)

AMERICAN banks have a bigger stake abroad than testimony before the Senate Committee would lead one to believe. (p. 6). . . . Spain is using the tariff to get business. (p. 30)

Finance

SILVER'S real problems are international and psychological; Chinese trade and the profits of the producers, like silver itself, are just by-products of the main monetary situation. (p. 15)

THE real estate boards have been quietly distributing arms and ammunition to the property owners; this year will likely see the big revolt against local government inefficiencies. (p. 9)

WHEN the banking bedrock is washed bare by depression, Harvey Gibson thinks it's a good time to lay water-tight foundations under his banking bargains. (p. 20)

LABOR'S noble experiment in banking has been concluded. (p. 25)

Utilities

POWER companies, caught up on generating construction, are cutting their 1932 budgets by 28%; home consumption mounts steadily. (p. 7)

Railroads

THE new year finds the roads able to sit up and take the nourishment provided by the freight rate increase and the credit pool. . . . Approaching hearings on the consolidation plan arouse its opponents, notably Loree. (p. 8)

Gold

GOLD mining is the one business actually aided by hard times: costs go down, value goes up, although price remains the same. Producers everywhere are taking full advantage. (p. 16)

Copper

AMERICAN producers scorn the Tariff Commission's finding that U. S. production costs are too little higher to justify protection, claim it's the high cost mines which need it. (p. 18)

Tobacco

PLANTERS are disgusted with prices which don't allow them to break even, blame the big profits of the big companies. Talked-of pools and crop curtailment can't help this year's market. (p. 22)

Marketing

BIG chains, finds the Federal Trade Commission, do the bulk of the business, deal direct with producers rather than wholesalers, earn their pennies by saving them. (p. 10)

INDIANA'S chain tax will be collected even from vending machines and doorbell ringers. (p. 9). . . . The Trade Commission says you can't get around the testimonial ruling by paying for them at editorial rates. (p. 12). . . . Montgomery Ward is chopping prices. (p. 12)

Canada

To avoid paying a stiff premium on her debts due this year in New York, Canada is forced to improve the exchange rate—which accounts for much of the present resentment toward U. S. in general and Wall St. in particular. (p. 26)

WITH the Empire Conference due in July, Canada may shelve domestic problems until fall. (p. 26). . . . France kept raising her tariff ante, so Ottawa told Paris that Canada could get along without that trade treaty (p. 26). . . . Proposed British tariffs will be good for Canadian wheat. (p. 27)

Veteran of a
MILLION RAILWAY MILES

R. I. Nesmith

Railroad Coach No. 4925. It was in one of the journals of this coach that an SKF Spherical Journal Bearing covered a million miles in nine years of service. Coach and bearing are still doing duty.

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After all, who is there to measure by price the value of a bearing that stands up for nine years and for a million miles under the most rigorous kind of service to which any bearing is subjected . . . and that never asked for anything but oil!

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending January 2, 1932

Europe Will Call It Progress If 1932 Is as Good as 1931

Stabilization for a year will build hopes for recovery, but signs are ominous

European News Bureau—Hopes of a business revival entertained for 1931 have no more been realized in Europe than in the United States. Prospects for next year are not favorable.

It will have to be considered a gain if the close of 1932 merely shows no further deterioration. Stabilization over a year's time would then afford some promise that a foundation for recovery had been laid. But so deep has the world depression become that any rapid recovery in Europe seems impossible. Rather, probability points to a period of writing off bad debts and reducing fixed charges on the remainder—that is, to a negative stabilization—before any appreciable positive recovery can develop.

Better Balance Achieved

Not but what 1932 may bring partial recoveries in some lines and seasonal periods of expanding general activity. A year ago, attention was called to the low level of industrial, warehouse, and shelf stocks as a factor favorable to recovery. During 1931, further progress was made towards bringing supply and demand into better equilibrium by restricting production or by lowering production costs.

Now 1932 opens with a somewhat better balance in the commodities; particularly when it is realized that congestions of visible stocks cloak an abnormal deficiency in the distributive trades. Moreover, a definite and important improvement has come about in the position of cereals, what with smaller 1931 harvests and reduced 1932 acreages. The incubus of excessive carryovers will be somewhat reduced in 1932, would be completely absorbed in event of a short crop on 1932's reduced areas.

Movements during the year, even if no political crisis arises to interrupt the play of economic forces, will remain related to the following underlying considerations in which little early change can be expected:

(1) Consuming power has been so weakened that it is incapable of sustaining a higher level of values except progressively and proportionately to the recovery of losses incurred during depression.

(2) The accumulation of international indebtedness incurred without correspondingly increased earning power, and further aggravated by reparations obligations, exceeds the world's present and immediately prospective capacity for earning service and amortization charges. International moratoria, if not outright cancellation of excess debt, accompanied by reduction of higher-bracket interest rates, appear inevitable until such time as economic revival, following upon financial relief, will again make it possible to take up debt burdens.

(3) Continued political uncertainties, residual from the war, occasion greater than pre-war military expenditure, imposing higher taxation on lower earning power and diverting capital from economic to non-economic uses.

No Immediate Hope

As far as Europe is concerned, no political relaxation is possible without regularization of Franco-German relations. Such regularization may be reached progressively but cannot come about immediately. There is consequently little prospect of an early and material reduction in military expenditure.

(4) The post-war period of economic as well as of political nationalism has called into existence excess productive capacity, capable of existence only under artificial, protectionary conditions.

This is particularly true of Central and Eastern Europe. Elimination of uneconomic industrial plants has begun through bankruptcy of such industries and their associated banks. But the process of economic re-integration remains inhibited by political hostility.

(5) Tariffs and other obstructions to world trade are not only at the highest level ever recorded but have been multiplied both by the number of new countries called into existence since the War and by the departure of other countries from free trade policies. This trend, which is held to be the most important among factors responsible for depression, shows as yet no sign of turning, except for movements towards regional preferential trade zones whose realization will require abrogation of the most-favored-nation clause constituting the basis of most of the world's commercial treaties.

Specific Crises

Apart from these fundamental conditions retarding recovery, the following specific conditions or problems will come to a head in Europe in 1932 and demand solution:

(1) *Government Deficits.* With solitary minor exceptions, deficits will be incurred on 1931 budgets in every country of Europe, in some cases seriously large ones. Deficits were incurred in most countries in 1930. Moreover, lower fiscal revenues in 1932, as a result of reduced 1931 incomes, indicate the practical certainty of further deficits in 1933, since compression of government expenditure (other than military) is reaching a limit at which administrative functions break down.

Financing of cumulative current deficits is rendered difficult and, in some cases, may be rendered impossible by the depreciation of, and lack of confidence in, already existing government securities.

Bankrupt Germany

(2) *German Problem.* Apart from reparations, Germany is bankrupt; has been bankrupt for years; has been able to avoid open declaration of bankruptcy only by further foreign borrowing to cover obligations which she has been unable to meet out of her own resources. With the exhaustion of her foreign credit, the problem becomes immediate. It may be expressed as the problem of organizing an international receivership and formulating means, under receivership, whereby sufficient eco-

nomic activity can be maintained in Germany (for the eventual benefit of creditors) as may, in the meantime, avert her imminent economic, political, and social collapse.

Trouble at the Hub

(3) *Central European Problem.* The financial situations of Austria and Hungary are analogous to that of Germany. In Austria, moreover, observers anticipate a politico-social upheaval during the year. The event occurring in a country which, small though it is, has been well named "the hub of Europe" would profoundly affect Europe's artificially and arbitrarily maintained political equilibrium; could grow to incalculable consequence.

(4) *British Problem.* World development, especially development of the British Dominions, has curtailed sources of British foreign income. At the same time, depression has depreciated or frozen British invested foreign assets. In at least the past 2 years, Great Britain has lived beyond her income. With assets frozen, abandonment of the gold standard and depreciation of sterling have followed.

Essence of Problem

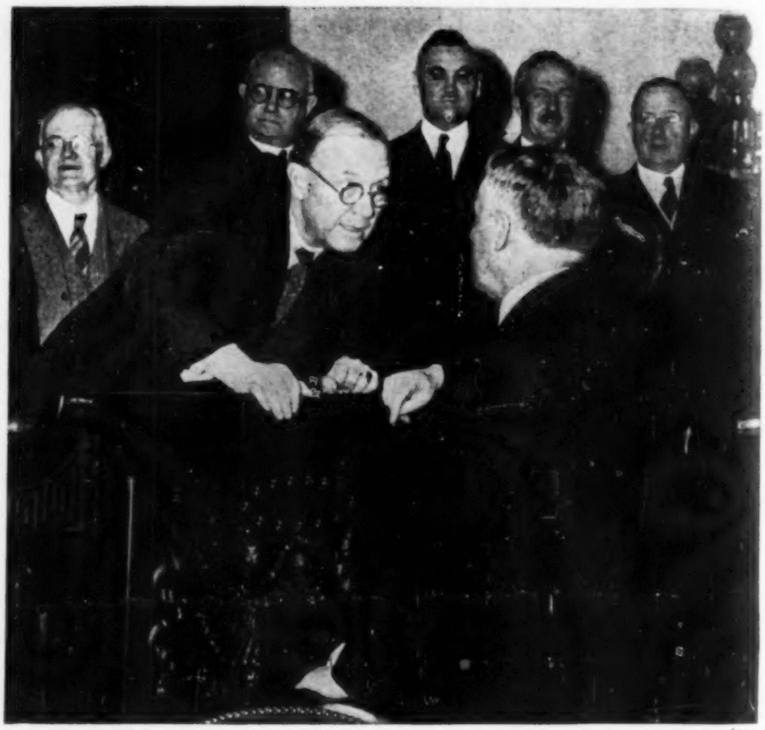
The problem is to restore her economic equilibrium and stabilize the pound by compressing foreign purchases and enlarging foreign outlets for British goods and services. Imposition tariffs and probable inception of preferential Empire trade agreements in 1932 may solve Great Britain's problem but will, at the same time, raise a new world problem, namely,

(5) *Foreign Trade.* World trade must be adjusted to the loss of markets formerly enjoyed in Great Britain, and to the possible further loss of markets in the British Dominions proportionately as progress towards an Empire Trade-Preference Union is made. Adjustment threatens to take the form of tariff retaliation, accentuating existing tariff barriers. A breach may develop by negotiation of reciprocal low-duty trade contingents but dislocation of trade during the period of readjustment is inevitable, is a matter primarily of degree and duration.

(6) *Reparations.* Under existing conditions, Germany is incapable of reparation payments without collapse of her social structure or default of her private obligations. Given world economic recovery, Germany's capacity to pay would then depend on whether creditor powers will be prepared to accord Germany export latitude in their markets adequate to provide the means of payment.

Unless voluntary reductions are made, and none seem probable, no intelligent revision of reparations can be made at present since no basis exists whereby Germany's possible future capacity can be appraised. The most that can be done is to ameliorate the burden of reparations for the period of depression, leaving ultimate reinstatement, reduction or cancellation to the future. Meanwhile, rising rebellion in Germany to payment of any further "tribute" threatens to bring outright repudiation early in 1932.

In such event, European reparation creditors may be expected to declare their inability to pay further war debts.



Acme

"THAT BAD?"—*Chairman Collier of the House Ways and Means Committee leans over to question Secretary Stimson on the German situation. Taken when the latter pleaded for ratification of the moratorium*

Banks' Foreign Assets Are Not So Small

THE testimony of banking leaders before the Senate committees on how deeply American banks are involved in foreign loans and bonds, accepted as reassuring by the public, has not proven so to those who have been studying the official figures.

The Comptroller of Currency shows that on Sept. 29, national banks owned \$489 millions of foreign investments, equal to 2.4% of their deposits. And deposits in national banks represent about two-fifths of all bank deposits. If the national banks' foreign investments stand in the same ratio to those of all the banks (some experts say non-national banks hold relatively more, some say relatively fewer, foreign securities) the total investment abroad of all banks must be about \$1.2 billions.

Plus Short-Term Loans

To this amount must be added the \$600 millions of short-term loans to foreigners which the experts acknowledged—which makes a total of \$1.8 billions, or 3.7% of deposits. This, of course, is not distributed equally. The short-term loans especially are concentrated in a few large banks.

These totals become even less reassuring when stacked up against the banks' capital and surplus from which must be deducted any losses incurred.

The national banks' foreign long-term loans equal 16% of their total capital and surplus. And if they hold a proportionate amount of short-term loans their foreign assets work up to about 23% of total capital and surplus—which is no small share.

The figures do not show whether this percentage would hold for all banks; but it is worth noting that national banks are apt to have a higher capitalization than state institutions.

Electric Utilities Cut Budgets For 1932 Construction by 28%

Rise in domestic current consumption indicates home market has possibilities for others

ELECTRIC utilities will spend $455 millions for expansion and improvement during 1932. This is 28% less than actual 1931 expenditures, 53% below the 1930 record total. Figures come from budget estimates compiled by *Electrical World*.

Chief cut for 1932 falls on new generating projects—sliced from $163 millions in 1931 to $80 millions. Explanation: So many important hydro and steam generating plants were completed last year that demands for more capacity are much less now.

Distribution and substation expenditures, making up 64% of total budget items, amount to $293 millions, $55 millions less than last year.

Transmission construction projects will require $55 millions compared with $81 millions in 1931.

Electrical World reports that, in general, large holding company groups cut budgets drastically; many independent properties increased theirs above 1931. In particular, many plan to spend greater sums this year for expansion of distribution systems, reflecting the continued growth of the domestic load, changes to network installation, and greater use of underground circuits.

Home Demand Up

During 1931 utilities generated 87 million kw-hr. of electricity of which 72 million kw.-hr. were distributed: 16.4% to domestic, 19.4% to retail commercial, 52.8% to wholesale, 11.4% to other customers.

Total revenue for the year was $2,137 millions of which $1,977 millions came from ultimate consumers of electricity. Domestic customers contributed $695 millions, 32.5%; retail commercial sales, $568 millions, 26.6%; wholesale light and power, $554 millions, 25.9%. The 1931 revenue fell 0.7% from that of 1930 but remained 1.5% above 1929.

Distribution of energy to ultimate consumers increased 7.7% in 1931 compared with 1930; retail commercial sales changed little; wholesale sales dropped 8.5%. Revenues followed the same trend; 4.8% increase from domestic sales; 1.8% decrease from retail commercial; 3.8% decrease from wholesale.

This steady increase in domestic use of electricity during the worst depression years is the most encouraging detail in the utility picture and contains valuable suggestions for all business men. It indicates that householders will continue to use, and will increase their use of, anything which effectively meets their real needs. Despite wage cuts, part-time jobs and other depression terrors, they insist upon better home lighting, upon mechanical refrigerators, electric ranges, vacuum cleaners, radios, and all the many other convenient devices which, only incidentally, use electricity.

Here Is a Market

The important point seems not to be that electricity is popular, but that the demand for better home living conditions is ever increasing. That utilities have been able to cash in most advantageously on this condition does not preclude other industries from jumping in and duplicating the utilities' record.

The average rate for domestic energy declined again in 1931 to 5.87¢ per kw.-hr. from 6.03¢ in 1930 and 6.33¢ in 1929, but the revenue from the average domestic consumer continued to increase, reached $34.10 last year against $33.00 in 1930, $31.65 in 1929.

Utilities have had a particularly good record of payroll and employment stability throughout the depression years. Federal Reserve employment indexes for the first 9 months of 1931, 1930, and 1929 are respectively 97.0, 102.7, and 98.6 for this group. Payroll indexes in the same order were 98.1, 104.1, and 98.3.

I.C.C. Finds Railroad Has Too Big a Heart

AMONG the many little services that railroads give shippers gratis is the occasional use of a locomotive crane for loading and unloading heavy freight, such as structural steel, at way stations. The wrecking crews of many roads turn their hand to a job like this when the shipper has no facilities of his own.

Evidently the Interstate Commerce Commission frowns on the practice, as it recently had the Pennsylvania Railroad indicted at Bradford, Pa., for performing this service without tariff authority.

Tariffs subsequently filed by the Pennsylvania were suspended by the I.C.C. last week pending an investigation that will serve to put all roads on notice that, according to the commission, this is one of those things which, however kindly the intent, just shouldn't be done in the best railroad circles.

Texas Helps Railroads Repel Truck Invasion

TEXAS traffic legislation has moved railroad men to point with pride, truck operators to view with alarm. The pride and the alarm have been intensified by the latest Lone Star effort to restrict the competition of motor with rail carriers.

In rejecting the Galveston Truck Line's application for a permit to transport cotton, the Texas Railroad Commission has indicated that it will grant no more permits to cotton-hauling trucks, will not renew existing ones. According to the commission's chairman, motor trucks are a "menace to life" and ruinous to the highways. Unless reversed by courts, such a policy would eventually leave the Texas railroads completely free from highway competition in the cotton hauling business.

Another Threat

There may be more trouble for Texas truckers in the Railroad Commission's investigation of the competition for citrus fruit traffic from the lower Rio Grande Valley. So far this season, the motor lines have captured more than 30% of the orange and grapefruit shipments from that district, many over long distances. The railroads have a headache. The commission is pondering a remedy.

Two Texas railroads—the Quanah, Acme & Pacific, owned by the St. Louis–San Francisco, and the St. Louis Southwestern—have entered the fray to get a share of the cotton seed traffic in their territory, now moved almost entirely by truck. Their petition to the commission proposes to reduce rates on short hauls of this commodity.

In Massachusetts also motor trucks face demands for regulation. The special commission investigating freight transportation there has recommended that motor lines be required to operate under a permit from the Department of Public Utilities and pay a $2 fee

on each truck. It suggests that measures be passed whereby railroads can meet truck competition on a fair and equal footing.

Meanwhile, the objections of the Tank Truck Operators' Association to the Southern Pacific's reduced rates on gasoline between Los Angeles and Imperial Valley points (*BW—Nov11'31*) have just been overridden by the California Railroad Commission, and the rates ordered into effect Dec. 27. This decision was made over the truckers' protest that the rates were unduly low, discriminatory, illegal, and designed to destroy their business.

Speedy Relief Moves Brighten Railroad Prospects for 1932

But the merger plan will find obstacles on the track—one named Loree, for instance

RELIEF from several sources, either at hand or well in view, is fast blotting out the prospect of extensive railroad receiverships.

The freight rate increases authorized by the Interstate Commerce Commission will go into effect Jan. 4 and stay in force until March 31, 1933. Master tariff covering the surcharges was filed Dec. 29. To avoid difficulties, all of I.C.C.'s orders in conflict with the new rates have been modified, and general exemption from the long-and-short haul rules of the Interstate Commerce Act granted.

With one exception, all Class I railroads have approved the plan of advancing loans from the rate-increase proceeds to roads failing to meet their interest charges. The dissident is the Nevada Northern Railway, a short line controlled by the Nevada Consolidated Copper Co.

Twenty railroads will be ineligible for loans from the Railroad Credit Corp. either because they have other resources or are in default or receivership.

Wage Cuts Less Urgent

With $100 millions relief provided by the increased rates and the promise of advances from President Hoover's Emergency Corp. to meet maturing indebtedness and other cash requirements, the necessity for a reduction in wages seems to lose some of its previous urgency. Nevertheless, optimism over the successful outcome of negotiations with the brotherhoods continues. Railroad employees, apparently, will be willing to take a cut, if assured that the money so saved will not go into dividends.

The union-railroad negotiations on wage reduction and unemployment relief will open in Chicago Jan. 14. No announcement came from the Railway Labor Executives Association's meeting this week on what position labor will take, but acceptance by 15,000 Southern Pacific shop employees of a 10% wage cut beginning Jan. 1 is considered indicative of union attitude. This railroad agreed that, should pay cuts of other employees be made smaller or become effective later than Jan. 1, the shopmen's reductions would be adjusted.

The approach of hearings on the consolidation of Eastern railroads is stirring opponents to action. The governors of all the New England States, except Rhode Island, have already petitioned the I.C.C. for permission to testify against the 4-party plan. Leonor F. Loree, president of Delaware & Hudson, has served notice that he will fight the proposal to place his road under the joint ownership and operation of the 4 Eastern trunk lines.

H. T. Newcomb, Loree's counsel, informed the I.C.C. that the 4-party plan would restrict the sale of the D. & H. to a single combination, whereas the road has many connections which, under normal conditions, would be interested in acquiring the property. An order requiring the D. & H. thus to abandon its business and sell its property would, Newcomb claimed, be in substantial restraint of trade, impair its value.

In the meantime, the commission has authorized the Delaware, Lackawanna & Western to increase commutation passenger fares 15% to 25% between New Jersey points and New York City, effective Jan. 1. It found that the present rates do not cover the cost of service.

Also of interest to New Jersey railroads is the plan of consolidating the subsidiaries of the Pennsylvania and Reading railroads in southern New Jersey, recommended by the State Public Utilities Commission. The consolidation, it is pointed out, would speed up the service, eliminate 117 miles of track and 237 grade crossings, cut operating expenses $1,700,000 a year.

Cameranews

ON THE BREMEN—*L. A. Osborne (left) president of Westinghouse Electric International and A. W. Robertson, chairman of the board of Westinghouse, return from abroad. Mr. Robertson talked with Mussolini, reports that he admits no plan to force nationalization of industry. Westinghouse has arranged a patent interchange agreement with Italy's Marelli Co.*

Acme

THIS MET THE BOAT—*When Juan de la Cierva arrived in New York, one of the autogyros he invented dropped down on Pier 34 and carried him off just to show what it could do to speed passengers and mails*

Real Estate Boards Plan Drive For Reform of Local Taxation

Research develops program listing five major improvements that need to be made

EVERYBODY talks about taxes, like the weather, and at last it looks as if somebody is going to do something about them.

A determined clean-up drive—the first on a nation-wide scale—against the weaknesses, inequalities, and wastes of state and local financial systems is in prospect for 1932.

The National Association of Real Estate Boards, meeting in St. Louis Jan. 20-22, is expected to act upon a comprehensive program prepared by its research staff in conjunction with the University of Chicago. The strength shown by the real estate organization in pushing its Federal Home Loan Bank proposal suggests the power it can put behind the drive. The association for several years has been engaged in creating local property owners' associations, thus has formed in advance the machinery for effective work. Real estate men have an obvious motive; they assert lands and buildings carry now a disproportionate share of total taxation.

The real estate boards have developed a comprehensive program of 5 basic points.

(1) Expenditures: Desirability of reductions is admitted, but it is noted that, unlike business, government faces a steadily growing demand for services. Cuts in the least essential services are urged, horizontal cuts being classed as probably false economy.

(2) Accounting: Establishment of accounting systems for all units that collect and spend public money is urged as essential. Little improvement can be made without dependable figures. Only 19 states have them. Periodic and compulsory audits of books are demanded. Too many government accounts are never audited; other audits are mere whitewash. Some 30 states now provide for some inspection, and several thus have saved appreciable amounts of money. Taxpayers should be kept adequately informed, just as are stockholders of corporations. Only 15 states make any attempt at this.

Budgets Are Few

The majority of governmental units do not yet operate on any budget, though budgets are necessary to good financial management.

(3) Laws: Adequate enforcement of existing tax laws and imposition of some new taxes would iron out gross inequalities. Taxes on tangible personal property are not generally well enforced, thus throwing greater burden on real estate. Futility of many attempts to derive appreciable revenue from intangibles is admitted; lower rather than higher rates are urged to get some income from intangibles. State administration of property taxes, with standardization of assessment, is seen as much needed. At present the heavier burden falls upon the smaller property owner.

Broader Base Suggested

More uniform obligation to support the government should be recognized. This could be done through a broader tax base, by poll taxes, fees for filing income tax returns, and some new taxes based upon the principle of ability to pay. Special assessments on property owners for improvements and maintenance are deplored.

(4) Concentration: Standardization of government structure is a major need. The 18,355 townships, carryovers from the horse and buggy days, are unnecessary; the number of counties is excessive; the number of overlapping governments is ridiculous. Cook County's 415 governments outside Chicago and Wayne County's 144 are examples. Virginia, long free of overlapping units, has pointed the way.

(5) Credit: The final need is to protect the public credit. Eighteen states now have some supervision over local debt issues, with North Carolina probably in the lead.

Long-term financial planning in every respect would help all government.

Indiana Chain Tax Will Get Them All

CHAIN store executives are disappointed over the all-inclusiveness of the opinion given by the Indiana Attorney-General to the State Board of Tax Commis-

sioners, now preparing to collect chain store taxes under the law sustained by the U. S. Supreme Court (*BW—May27'31*).

No type of centrally-owned chain unit is excluded, as the term "store" under the opinion is any place "in which goods, wares or merchandise of any kind are sold, either at retail or wholesale."

Significant is the inclusion of agents of home or foreign concerns having offices and taking orders; street stands and vending machines, the latter if placed on leased locations by owners who have more than one machine on such locations within the state.

Manufacturers pay chain tax only if maintaining more than one mercantile establishment for sale of their products.

Utilities are exempt unless, in connection with their general business, they maintain "stores" as previously defined in the opinion.

Survey Shows How Chains Gain Advantage in Buying Power

1,396 of them get 70% of their stocks direct from manufacturers; some compete with wholesalers

THE Federal Trade Commission, conducting an inquiry into the chain store system of marketing and distribution (*BW—Jul22'31*), discloses significant data in 3 reports, covering further completed phases of its survey.

The 1,727 chains supplying usable data operated 66,246 stores, sold over $5 billions during 1928. Comparable supplementary schedules were filed by 1,278 chains which, in 1930, had 68,161 stores, sales of nearly $5½ billions.

Food chains had 50% of all the stores investigated, did one-third of the total business covered, while department store chains with 1% of the total stores accounted for 14% of total volume.

Chains with 1,000 or more stores represented less than 1% of the number of systems, but had nearly 50% of the stores and did 40% of the total volume represented.

Covered Half the Chains

Based on census data, the commission's inquiry covered approximately 50% of all chain stores and 50% of sales volume by chain stores in 26 lines of retail business.

That chains obtain much advantage through volume purchases, are able to eliminate costly intermediary agencies, is indicated by the commission's finding on sources of supply.

The 1,396 reporting chains obtained 70% of their supply direct from manufacturers, bought only about 7% each from wholesalers, brokers or commission men, and growers, 9% from miscellaneous sources.

Of all chains reported, 92% were buying to a greater or lesser degree direct from producers or manufacturers.

The commission also attempted to show changing buying habits by comparing data for 1922 furnished by 555 chains.

In 1922 these chains purchased 76.5% of their total stocks from the manufacturer; in 1928 this had increased to 81.2%. Purchases from wholesalers dropped from 13% to 8.5% in the same period.

Manufacturing operations by chains apparently do not provide any important portion of their total requirements, representing only 7% of all merchandise. About 93% of the goods sold was bought from outside sources.

Wholesalers' Share

Although 77% of all systems bought to some extent from wholesalers, only 7.9% of the total supply bought by all chains was obtained from that source. The smaller chains patronized wholesalers most.

With figures of the Great Atlantic & Pacific Tea Co. and Kroger Grocery & Baking Co. eliminated, grocery and meat chains bought 17.3% from the wholesaler. Dry goods and general merchandise chains bought 50% from this source and 7 other types of chains from 20% to 40%.

Direct buying from manufacturers apparently increases rapidly after a chain grows to 50 or more units, small food chains buying only 27% direct, those with over 1,000 stores 66%.

Small drug and tobacco chains buy less than 40% from manufacturers; larger chains in these groups buy 95% direct.

That independent wholesalers are not merely losing customers through chain store systems but must count with chains as competitors in the wholesale field is

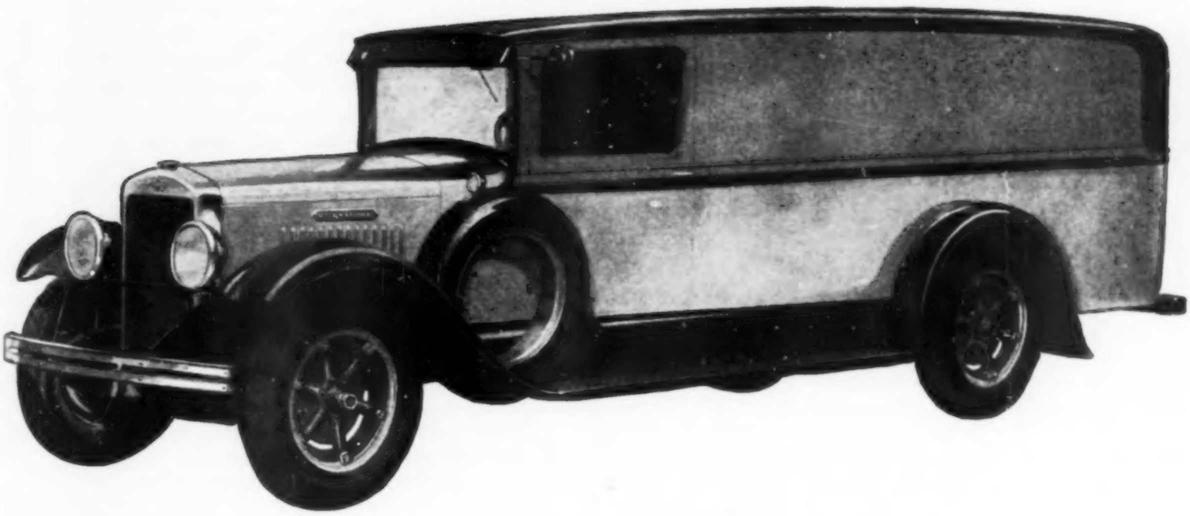
The Business Week

ST. PAUL'S NEW "FIRST"—*On the right, the 32-story First National Bank Building, just opened, with its towering "1st" that is at once sign and air beacon. Features of the building are its own water supply from artesian wells, fire equipment, and pistol range for the bank police*

INTERNATIONAL HARVESTER

Announces a

new 6-*cylinder* truck



1½ TON
Two wheelbase lengths, 136 and 160 inches

International Harvester takes particular pride in announcing this new truck. Even to an organization which has made quality trucks for nearly thirty years, the Model A-3 is an outstanding example of both design and construction.

The Harvester organization presents the Model A-3 as reflecting the century-old reputation for quality that is behind all International products. It offers this lasting quality in a truck of smooth 6-cylinder power at the remarkably low chassis price of $795.

Look at this new truck . . . and do not hesitate to judge its value by what you see. For International appearance is an accurate indication of International performance . . . and the A-3 is no exception to this rule.

Model A-3 Features

4-speeds forward and 1 reverse ...powerful 6-cylinder, L-Head type engine, 3¼-inch bore x 4½-inch stroke . . . 11-inch single plate, vibration-dampened clutch . . . irreversible cam-and-lever steering gear . . . semi-elliptic auxiliary rear springs . . . 4-wheel, mechanical internal-expanding shoe type brakes . . . 2 wheelbases, 136 and 160-inch.

Here is a truck of great stamina . . . a fast truck . . . a powerful and dependable truck. It is beautiful both inside and out. And judged on whatever basis of cost-figuring you may use, you will find it decidedly economical.

$795
for the 136-inch wheelbase chassis, standard equipment, f.o.b. factory

Go to a dealer's showroom, or to one of the 183 Company-owned branches in the United States and Canada. See the new Model A-3. Then test it in your own way on your own job. Then *own* it.

And remember that when you do own it, you can rely upon the famous Harvester Company service organization to make sure the Model A-3 will deliver the famous International service to you!

INTERNATIONAL HARVESTER COMPANY OF AMERICA (INCORPORATED)
606 S. Michigan Ave. Chicago, Ill.

INTERNATIONAL

INTERNATIONAL TRUCKS

Acme

A PIPE LINE FOR NEW ENGLAND—*The 6 inch line, being laid by Standard Oil of New York, which will carry gasoline from the tidewater refineries in Providence to the distributing stations in Worcester and Springfield*

indicated by the commission's report on wholesale business of retail chains.

Of 1,655 reporting chains, 200 were actively engaged in the wholesale business, and of these 111 obtained 12% of their sales volume from wholesaling.

Of 9 chains with over 1,000 stores each, 4 are also carrying on a wholesale business, sold over $20 millions at wholesale in 1928, equal to 1.5% of their total sales.

Significant is the commission's comment on merchandising policies of chains in that it confirms to some extent the contention of many independents.

The commission states, "Large grocery and meat chains are, for the most part, emphatic in stating that the demand for new items is not built up through their stores, but must be developed by some other means before they put them on their shelves.

"The large variety and department store chains, on the other hand, claim to be constantly on the alert for new lines of merchandise and new opportunities of getting them purchased at prices and specifications suitable for their stores."

National Advertisers Get Set for 1932

ANXIOUS to measure the outlook for 1932 advertising, the Association of National Advertisers has conducted a poll of its members, yielding yardstick data from 174 concerns.

Of these, 53 expect to increase expenditures in 1932; 57 will repeat their 1931 totals; 64 are now set to reduce appropriations.

Few companies plan to duplicate 1931 media schedules and comments indicate that most advertisers are scrutinizing all media with unprecedented care, to determine coverage and ability to deliver value.

Testimonial "Authors" Meet Severest Critic

TESTIMONIALS by "well-knowns" will once more have their day in court, since the Federal Trade Commission has filed formal complaint against their use in advertising by Standard Brands, Inc., and its subsidiary Fleischmann's Yeast Co.

The commission charges that methods of using them have a tendency to mislead the public into the belief that they were given without inducement and without consideration.

To prevent abuse of testimonials and insure public understanding of the procedure by which they were secured, the Federal Trade Commission recently ruled that paid testimonials must be so labelled.

From this ruling the Northam Warren Co., manufacturer of Cutex, Odorono and other proprietary medicines is appealing to the United States Circuit Court of Appeals. It holds that testimonials it has used were given voluntarily; that any payments made are comparable to rates paid to authors of editorial material, which vary according to the prominence of the author.

Mail Order Prices Cut, Stores Overhauled

MONTGOMERY WARD & CO. (Chicago), world's second largest mail order house, celebrating its 60th anniversary, announces a special 60-day selling event, is mailing a 184-page January-February "sale" book to its 8 million customers.

Reductions range 5% to 35% below previous 1931 prices and 10% to 50% under 1930-31 winter quotations on comparable merchandise.

Meanwhile, in common with other chain store systems, this one is overhauling its chain of retail stores.

Seven stores in North and South Carolina and others in Southeastern states, as well as in Missouri, Oklahoma, and Pennsylvania are scheduled for closing early in 1932, while some remaining units in the same states are being enlarged, re-furnished, re-stocked.

New stores are being opened where conditions appear favorable and leases on satisfactory terms are obtainable.

Total sales of the company for the first 11 months of 1931, reflecting the substantial price reductions from 1930 levels, were 18.9% lower, although unit sales were higher in many departments. Sales through retail stores, already 55% of total in 1930, will account for even higher percentage in 1931.

Automobile Show Time Finds Car Stocks Low

DESPITE its many troubles of 1931 the automobile industry comes to the January shows with dealer stocks lower than in many years. Output of cars and trucks during the year was 100,000 less than sales; dealer stocks were cut in half—from 200,000 cars to 100,000, about 2 cars per dealer. There has been little disposition on the part of factories to overload dealers with cars.

Prices for new models are expected to remain about the same. Slight decreases will be made on some medium-priced cars; somewhat more drastic cuts may be made in the high priced group.

Lack of detailed knowledge of Ford plans still disturbs Detroit.

Clamor to Boost Price of Silver Will Grow Louder, Get Nowhere

Remonetization might help solve economic problems, but political and social barriers are insuperable

SILVER is a recurrent symbol of serious depression or periods of drastic price decline. Last year saw the first large-scale resurrection of the silver question since the hectic days of 1893, when Congress committed this country to international bimetallism in a law which still stands on the statute books. More will be heard about it in 1932.

Outstanding authorities, economists, bankers, exporters, as well as mining interests have urged attention to it and action on it as an important cause of the depression and a promising means of relief.

The United States Senate in February, 1931, urged the President to call an international conference to consider it. The President attempted to do so, but found the other countries chiefly concerned—Britain, France—not interested at the time except as a side issue in general consideration of international financial and debt problems. The International Chamber of Commerce, realizing the hopelessness of governmental action, has suggested schemes of private action which will be further considered this year.

Keystone

IN THE BOX—*Sir Josiah Stamp opens the London Safe Deposit at Dorland House, most spectacularly safe of European vaults*

Western chambers of commerce, farm organizations, and senators from mining states have resolved and pleaded and pressed for something to be done about silver. The clamor will increase unless business and prices recover, but it is improbable that anything will be done. The main reason is that the silver issue is a confused complex of fallacies and half truths, superstitions, special political and private interests which inevitably paralyze sane action on it.

Silver today is simply a commodity, like copper, except in one country, China, where it is money, a legal standard of value and medium of exchange. Its value fluctuates like that of any other commodity in terms of the legal standard of value for most of the world, which is gold; and its value has become extremely unstable in recent years. In 1920 it was more than twice as great as before the war; in 1928, before the depression, it was back to its pre-war value, and is now half as much. Up to 1873 it was legal money in most countries, and till 1926 in India.

2 Real Silver Issues

The real issues about silver are two: One is whether it should be made money again by international governmental agreement; the other is whether and how its price, or value in terms of gold, shall be stabilized or increased. These issues are confused but separate. If silver is monetized by law its value will be stabilized and probably raised; but it can be stabilized and raised without being monetized.

Stabilization or increase of the price of silver is a minor issue, of interest only to producers or exporters of the metal. The instability or low price of silver is not an important factor in the world depression. Silver production is a relatively small industry except in Mexico, and there it is diminishing as the mines are giving out.

There is no evidence that the low price of silver in itself has greatly upset trade between China and the rest of the world. World depression and internal disturbances in China have been the more important influences on Chinese trade, which is only an insignificant part of world trade anyway.

China pays for her imports, like any other country without credit, by her exports. She is a consumer, not a producer or exporter, of silver, and probably on the whole benefits from its lower price. The decline in the international value of silver, like the devaluation of gold in England, has raised internal prices, stimulated domestic industry, fostered exports, cut down imports.

Real Income Unaffected

In China, as in India, the value of hoards or stocks of silver has been reduced, just as the value of securities and real estate has been in the United States; but her real income, which depends upon production, has not been reduced, but probably increased by the stimulation of production due to higher internal prices. The prevention of wide fluctuations in the exchange value of silver would perhaps be helpful to Chinese trade, as in the case of the pound, but the idea that world trade has been seriously injured by the fall in the price of silver itself is a delusion.

Silver prices could be stabilized and raised, in the same way as those of copper, by private agreement among producers and exporters to control production or export of the metal. Production is not easily controlled because three-quarters of the output is a by-product of other metal mining; but export sales could be controlled. This sort of scheme is suggested by the International Chamber of Commerce. It would have to include India because, while that country is not an important producer, she has accumulated large stocks resulting from demonetization of silver in 1926, and sales of these have depressed prices.

What Producers Want

This plan does not satisfy producers of silver just because silver is a by-product. They see that the easiest way to stabilize and raise silver prices is to increase the demand. There is little hope of doing this by development of industrial uses, so they want the monetary demand for silver increased either by having governments go back to using silver instead of copper and nickel for token coin or small change, or by making it legal tender money and using it as part of the metallic reserves against currency.

There are other and better reasons for doing this besides the purpose of

helping silver producers; and these reasons are the real issue in the silver question. They resolve themselves into the single fundamental fact that some means of prompt and effective expansion of the monetary medium of exchange is needed in most countries in order to restore commodity prices, ease debt burdens and promote recovery.

This could be done by credit or paper currency expansion on the basis of existing gold reserves, but this has so far proved impossible in most countries without suspension of the gold standard because of legal reserve requirements and the psychological superstitions and anxieties about inflation. There is a deep-rooted prejudice in favor of metallic backing for currency and credit which cannot be overcome. The world is not yet ready for managed currencies based solely on the credit resources of the community, and certainly not so far as international trade is concerned.

Britain Proposes the "Rex"

The inclusion of silver with gold as a combined basis for currency and credit undoubtedly would meet the problem of credit expansion—and at the same time stabilize silver prices. Many schemes have been suggested for accomplishing it with a minimum of disturbance to established currency and banking systems, including the large-scale plan proposed and seriously considered in Britain, to establish a new imperial currency standard called the "rex" to be based on both gold and silver in some ratio and used as a common reserve for all the distinct existing currencies of the Empire.

The technical difficulties in the way are not serious. The political difficulties seem insuperable in the present state of international relations and the present economic situation. They arise from the conflict of international and class interests. Some countries hold most of the world's gold reserves or are large gold producers. The use of silver as a money base would inevitably increase the value of silver and lower the value of gold. So long as gold is regarded by these countries as capital or real wealth, international agreement to devalue it is as difficult as any international agreement to write down debts.

The Internal Conflict

This international conflict of interest is paralleled by internal conflict of interest between creditor and debtor classes in each country. So long as all debts are gold debts, stated and payable in a gold standard, debtors will not easily induce creditors to write them down by accepting silver. Any devaluation of gold and accompanying rise in prices implies repudiation, default, writing down of real debt burdens, losses to creditors. It is usually forgotten that it also implies stimulation of production and trade which makes possible payment of debt and is far more important for prosperity.

Thus the silver problem is not a problem of silver producers or of Chinese trade. These are incidental and mostly insincere or superficial side issues. It is a problem of persuading whole peoples and classes to see their common interest in international and internal price stability and prosperity and to sacrifice voluntarily some illusory temporary advantage before they are forced to do so by events. The silver problem is so complicated by prejudice and special interest that it is impossible to expect any such outcome.

As Always in a Depression, The Gold Mines Are Booming

GOLD mining has enjoyed another prosperous year in 1931, setting a high mark for world production since 1916 —also for profits.

This performance, of course, is due to the fact that the gold mining industry is depression-proof. Good times or bad, the price of gold always is the same, so that as the general commodity level falls, the value of gold rises and its cost of production goes down. In Australia and Canada, the value of gold has been further enhanced by the suspension of the gold standard.

Thus, while in copper, lead and zinc the desire is to curtail, in gold it is to increase production. Almost every district where the yellow metal has ever been found is buzzing with gold seekers and financial racketeers.

It is estimated that the world's 1931 gold output will be at least 21 million oz., compared with 20,150,000 oz. in 1930. In value, production has increased more than $\$17\frac{1}{2}$ millions.

The biggest gain recorded is that of Canada, now definitely the world's second largest gold producer, though still

The Business Week

PANNING UP-TO-DATE—*Equipped with a Caterpillar tractor and scraper, this Westerner does his placer mining on a big scale, takes out a hundred dollars' worth of depression-proof gold in about 5 hours*

small compared with the Transvaal. The Dominion's total output in 1931 will probably be around 2,700,000 oz., an increase of approximately 28% over the previous year. Chiefly responsible for this has been the development in the Kirkland Lake region, Ontario.

Canadian Producers

The Lake Shore Mines, operating there, turned out more than $9 millions in gold during the fiscal year ended June 30, and are now producing at the rate of about $12 millions a year, displacing Hollinger Consolidated Gold as Canada's largest producer.

Lake Shore is a fairly high-grade property, averaging about $15 of gold per ton of ore treated. As the total production cost is only $6.68 per ton, the margin of profit is very large.

Among the new Canadian gold mine developments, which include Matachewan, Michipicoten, Bridge River, Sheep Creek, and Portland Canal, interest is now centered on the Beattie Gold Mines in northwestern Quebec. This is a low-grade property, with only about $3.50 of gold per ton of ore. Initial production will be at the rate of about $1.4 millions of gold a year.

Canada is now forcing the sale of its gold to the Dominion and matching New York's price by giving its miners a 20% premium in Canadian currency.

Gold production in the United States will probably show little change from the 1930 total of 2,100,000 oz.; the Philippine output, however, is expected to be about 225,000 oz., against 185,208 oz. in 1930.

American Earnings Up

Both Homestake Mining and Alaska Juneau, largest American gold producers, will show increased earnings for 1931. Alaska Juneau, which is world's lowest-grade gold lode mine with a yield of only 0.042 oz. or 87¢ of gold per ton of ore treated, will have an output worth about $3.8 millions, and profits of $1.6 millions. Homestake's production this year is expected to amount to $9.2 millions, a million more than in 1930.

In Australia, where both the federal and state governments are encouraging gold mining through bonuses and other subsidies, it is estimated that production will show a gain of more than 83,000 oz. over 1930.

The Witwatersrand, in the Transvaal, which with an outturn of $220 millions accounts for more than half of the world's yearly output and has produced since 1888 a total of $5.5 billions of gold, again will register an increase during 1931. Production of the South

African Union will probably amount to about 10,820,000 oz., compared to 10,716,351 oz. in 1930. Two new properties will raise the productive capacity still higher. The East Geduld mine started operations in June and is already on a profitable basis; it is expected to produce $5 millions of gold a year. Daggafontein's output, it is anticipated, will run at $4 millions a year.

South African miners want the government to suspend the gold standard. Devaluation of Union currency by even 10%, they say, would reduce production costs by more than 2s. a ton. The effect of this, they further point out, will be that low-grade mines, heretofore unprofitable, will be worked, and thus the average lifetime of the Witwatersrand gold mines will be increased by at least 50%.

Russian production of gold continues to increase. In 1931 it probably amounted to 1 million oz., compared to 932,350 in 1930. The other producing areas also show gains, except Mexico, India and Southern Rhodesia.

Copper Tariff Decision Worries High Cost Mines

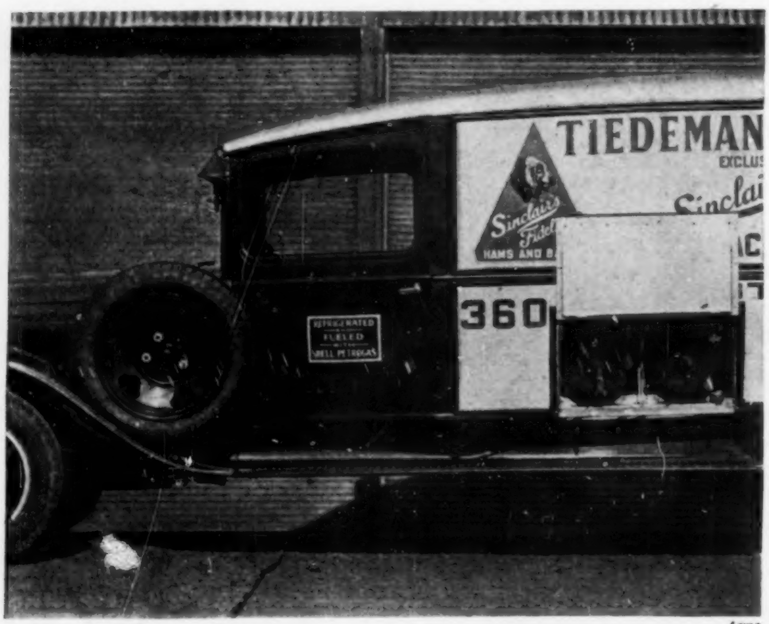
COPPER tariff advocates wanted a 4¢ duty, were keenly disappointed with the Tariff Commission's finding that the average domestic production cost is only 1.42¢ a lb. higher than the foreign. They claim that because the high-cost mines would be the first to shut down if protection is not afforded, the commission should have taken their costs in computing the differential in favor of their foreign competitors.

Canada has a duty of 3¢, and if this low-cost producer requires protection of such an amount, the tariff advocates contend, the commission's investigation should have disclosed a greater cost differential on this side of the border. Canada's tariff, they argue, represents only a reasonable measure of protection and is not regarded in the Dominion as a super-tariff imposed without consideration of comparative costs.

The commission's copper cost calculations were based on 1928 as the most representative year of the 3 covered by its investigation. The commissioners stated, however, that if present conditions in the industry were taken into account and prospective low-cost operations in Africa and Canada could be anticipated, the cost differential against the United States would be much greater.

In computing the excess of average domestic over foreign costs at 1.42¢, the Tariff Commission figured in depletion of ore and interest on investment at 6%. The differential against domestic costs is only 0.49¢ if these 2 items are excluded. Comparison with Latin America indicates an excess of domestic costs of 1.54¢ when depletion and interest are included, and 2.26¢ without these items.

Should Congress levy a duty on copper, though such a move is considered improbable by many, it is thought that the international policy of cooperation based on the new restriction pact (*BW—Dec30'31*) could not long endure.



Acme

DOUBLES IN GAS—*"Petrogas," a new development of Shell Oil, refrigerates this truck as it expands on the way to be burned in the engine*

New Fuel Drives Truck And Refrigerates It

SHELL OIL CO. has developed a new gaseous motor fuel called Shell Petrogas which has advantages for use in certain commercial car operations because it can double as a refrigerant, making it possible to cool the truck's interior with the fuel burned in the truck's engine.

The new fuel cannot cause crankcase dilution, is said to have perfect anti-knock properties. It can be used in standard gasoline engines with a special carburetor adapter which permits either Petrogas or gasoline to be burned at will.

Petrogas is supplied under pressure in liquid form. A fuel line leads from the storage tanks through a pressure regulator to a series of expansion coils within the truck body where the liquid expands into a gas and, in so doing, absorbs heat from the truck interior. The expanded gas then passes through a second regulator where pressure is reduced to the vacuum prevailing in the intake manifold of the engine, then passes through the carburetor and is burned in the cylinders.

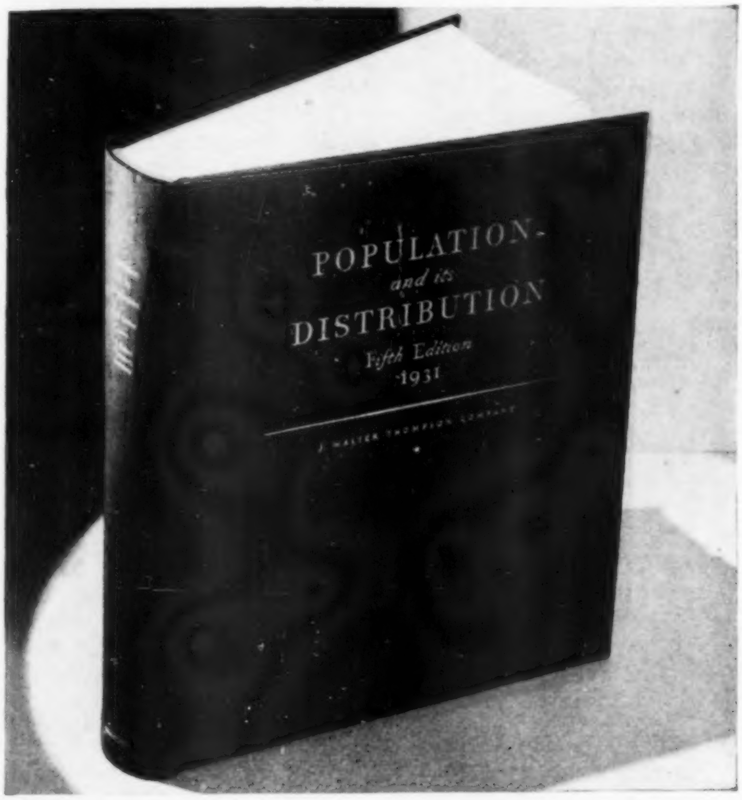
Experimental applications with the new fuel on trucks of Tiedemann & Harris, Inc., San Francisco, indicate that truck interiors can be reduced from 60 deg. F. to 35 deg. within an hour; that temperatures as low as minus 25 deg. F. can be obtained. Mileage costs of the new fuel are reported to be approximately the same as they are with gasoline.

Fuel and devices for its use are not yet on the market, as refinement of temperature regulation methods remains to be done. A wide market for the new device is looked for among truckers hauling perishable products.

Where they Live

What they earn . . . Where they shop

Information vital to your sales program ready in the new edition of *"Population and its Distribution"*



640 pages · size 8½ by 11 inches · 90 pages of maps · bound in maroon cloth over board

A NEW EDITION OF *"Population and its Distribution,"* the widely known analysis of population from the standpoint of sales problems, is now off the press with figures from the 1930 census, the latest analyses of income tax returns, and new information on retail shopping areas.

To the sales or advertising executive, this volume is indispensable for time-saving and effective planning. The tabulations here exclusively presented throw new light on every phase of the 1930 census population figures. The information on retail shopping areas represents original research, and is not to be found elsewhere.

Where they live—what they earn—where they shop—only with this knowledge can the present need of economy in sales effort be met.

"Population and its Distribution," 5th Edition, has been published for the authors—J. Walter Thompson Company—by Harper & Brothers and is obtainable direct from J. Walter Thompson Company, 420 Lexington Avenue, New York. The price is $10. The book may be returned within 5 days, and your money will be refunded. The coupon is for your convenience.

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In this book are . . .

1 For each state, the number of people—families—individual Federal income tax returns—farms—home telephones—residential lighting customers—passenger automobiles costing under $1000 and automobiles costing over $1000.

2 Complete list of counties in the United States, showing population, number of individual Federal income tax returns, number of people in each county per tax return, automobiles costing under $1000, and automobiles costing over $1000.

3 State lists (with maps) showing 681 well-defined retail shopping areas—with the center and sub-centers of each—the population of the areas—the population of the centers—the number of individual Federal income tax returns for each—the number of people per tax return—and the number of leading department stores.

4 A table grouping these 681 retail shopping areas, according to the size of the retail shopping centers to which they are tributary. (A glance at this table shows, for example, that there are 13 areas tributary to centers of more than 500,000 population, and that these areas account for 28% of the total population of the country. On the other hand, there are 438 areas tributary to centers of less than 25,000 population—these areas containing 22.7% of the total population.)

5 A table giving the number of cities and towns in various size groups, and the number of people in each group—with the relation of each size group to total population of the country. (This table shows, for instance, that the 5 cities of 1,000,000 or over have a combined population of 15,064,555 which is 12.3% of the total population of the country; while the 1,332 towns between 2,500 and 5,000 in size have a combined population of 4,717,590, which is only 3.8% of the total population of the country.)

6 Population and group totals for 11 size groups of cities and towns, in every state. (For instance, if you should decide to cover all cities of 25,000 or more in certain states, your lists are here ready.)

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Please send me copies of *"Population and its Distribution,"* 5th Edition at $10 per copy. I am privileged to return the book within 5 days, and my money will be refunded.

Name____________________
Address____________________

Upon Depression Foundations, Harvey Gibson Builds Big Bank

Merges two large institutions and becomes bank liquidator extraordinary for 9 or 10 others

THE obvious technique for combating rickets among banks is to shore up the stronger ones by main strength, or to wed weak sisters to such as have maintained their vitality. But the present emergency has developed a financier with a more imaginative remedy. It consists of buying weaklings after deposit withdrawals and bear sharpshooting have driven their stocks to bargain lows, combining them on a subcellar basis, dropping names with unpleasant memories, building upward from rock-bottom.

The originator is Mr. Harvey Dow Gibson. In January he startled Wall St. by relinquishing the chairmanship of the executive committee of the powerful New York Trust Co. A syndicate which he formed bought working control (35%) of Manufacturers Trust Co. stock from Goldman-Sachs for $7,300,000. Mr. Gibson was elected president.

With Morgan Blessing

At that time, deposits were $186 millions. By the last of November the Gibson régime had raised deposits to $235 millions. During the same period deposits of Chatham Phenix National Bank and Trust Co. declined from $203,150,000 to $141,374,000. A sigh of universal relief went up when on Dec. 3 a merger of the two institutions was announced. The new colossus will have resources of over a half billion, deposits in excess of $400 millions. The Morgan blessing goes with the union. It is an open secret in the financial district that the House of Morgan is backing the new Gibson banking strategy.

Under agreements with the Clearing House, banks and private bankers, and with the approval of the State Banking Department, Mr. Gibson took unto his bosom the little lost banks of the city. Small institutions that had been closed, he undertook to liquidate swiftly and without cost. Depositors were immediately paid the highest reasonable percentage, loans were washed up as rapidly as possible. These liquidations include the American Union Bank, International-Madison Bank and Trust, Times Square Trust, Bank of Europe Trust, Globe Bank and Trust, Queensborough National, Rockaway Beach National, Lebanon National, Bryant Park Bank.

Observe the Yankee wisdom of Banker Gibson. His Manufacturers Trust did not profit directly by these good deeds but indirectly it got considerably more than thanks. Accounts left hanging in mid-air from the closings gravitated naturally to Manufacturers. Also depositors receiving an immediate dividend through Mr. Gibson experienced a warm glow about the heart, made haste to deposit their recoveries in his institution.

During the course of these gainful philanthropies, Mr. Gibson has been on the alert for choice branch locations. To that end several smaller institutions have been absorbed, among them Brooklyn National and Midwood Trust.

Fortunately for New York's jobless, this same Banker Gibson was selected to head the city's Emergency Unemployment Relief Committee. Here, too, he went cheerfully forward while others retreated from the slings and arrows of these outrageous times. Lesser souls must have been astonished when the Gibson committee obtained vast largesse from a city which boasts of being flat broke.

The goal set up was $18 millions. Announcement of attainment on Dec. 10 was 10 days past schedule—but as a counterbalance, the sum was a quarter-million over-subscribed. The surplus still grows. As does the wonder of the defeatists.

Helped Red Cross

The Gibson collection technique was developed during the war when he was, first, general manager of the American Red Cross, later in charge of Red Cross activities in Europe. But it is tommyrot to compare the wartime drives with those of our present emergency. It hurt no one to give then. Everybody had money and the war fever anaesthetized the pangs of contribution. Absence of such factors make more re-

International News

HARVEY DOW GIBSON—*The head of Manufacturer's Trust is as active physically as he is mentally, knows a banking bargain when he sees one*

markable the present extractions of Mr. Gibson and his grim committee.

It is not surprising that a man so active mentally should take his recreation with considerable violence. The banker plays a fair game of golf and tennis, but horses are his real hobby. He loves fox hunting. In summer he leaves his pillow at 5 o'clock to ride from his home at Locust Valley, L. I. Afterward he boards, at his own dock a cruiser which hurls him officeward at 40 m.p.h. Breakfast and the morning paper he partakes of on board. He is not of those casuals who throw off all business the minute they desert their desks. Once he confessed:

4 A.M. Letter

"I got a good idea for a letter at 4 o'clock this morning. I got out of bed and wrote it down."

Success stories of men who started from scratch are out of fashion in this age of disillusion, and to that extent is Mr. Gibson passé. His business career began with a broom on the floor of an express office, reached its highest point (for Wall Street, at least) when J. P. Morgan paid him a visit. (Statisticians declare only 5 men have been thus honored.)

Harvey Dow Gibson's life records a swift march of the Yankee virtues. He was born in North Conway, N. H., in 1882, the son of a judge. Schooling was at the Fryeburg (Maine) Academy and Bowdoin College. He led the college musicians, played earnestly upon the fiddle in a theater pit, looked forward to the time when he would lead a real orchestra.

Canadian Experience

Business defeated the muse when he went to work for the American Express Co. at Boston. Transferred to Montreal he became financial manager of the company's Canada business—and knew then that he had found his work. He was rising fast with American Express in New York, when Seward Prosser became president of the Liberty National Bank and Mr. Gibson was taken over as assistant. Later he was promoted to a vice-presidency. Prosser left Liberty to head the Bankers Trust Co., was succeeded by Thos. Cochran who became a J. P. Morgan partner and Mr. Gibson was elected president of Liberty at the age of 34. For years he chafed under the newspaper title—"the Boy Banker of Wall Street." In 1921 consolidation of Liberty National with New York Trust lifted Mr. Gibson to the presidency of the latter impregnable bank. Later he headed its Executive Committee.

International News

SECURING A LOAN—*Sealing a corn crib in Illinois. Farmers are loaned 20¢ a bushel by the state, corn in their cribs being held as security*

Faced by "Starvation Prices," The Tobacco Planter Revolts

Crop curtailment, revival of pools may help, but this year's market offers little hope

WITH a steadily falling domestic demand, and with foreign trade also somewhat reduced, the American tobacco planter faces a crisis. For nearly three centuries, perhaps, he has been almost supreme in his field. True, he has faced previous depressions and seen the gradual encroachment of foreign leaf, first from Cuba, then Sumatra, Porto Rico, and Java, but the old timer, in the Southern states, has been in the saddle for many years.

Costs Unchanged

Now, with prices down 50%, 60%, or even 75%, he is at his wits' end. His costs of raising the famed "bright" or flue-cured tobacco for cigarettes in Georgia, South and North Carolina, and in Virginia, have remained at 11¢ to 13¢ the pound. And, right now, at Wilson, N. C., the world's largest bright tobacco market, auction quotations for the week ending Dec. 19 average 9.18¢ a lb.

That market sells nearly 1 million pounds of tobacco at auction every day during the short selling season of about 3 months. It has 9 huge warehouses, and the sales, so far this season, have been 62,209,322 lbs. for $5,710,925.32. There is only 10% of the crop, in that locality, remaining to be sold.

However, the planters, who are black and white, tenant and owner, poor, just middling, and a few well-to-do, don't sell all that tobacco, nor get all that money. A great share of it goes to "pinhookers," speculators who sell it over and over again, thus frequently bringing up warehouse sales and averages.

What has happened to the tobacco grower is illustrated by the case of Dan Wood, a young farmer of the New Canton section of Virginia. He has a wife and 2 children, and works a tobacco plantation on shares. He "stripped" and sold 414 lbs. of dark tobacco to a market 30 miles away. It was a good, but not fancy colorful grade, ordinarily worth $8 to $12 a cwt. But all Wood got for it was a total check for $5.19, or about $1.10 the hundred, after deducting warehouse charges. Wood's share was $2.60, and the carriage charges were $3. His costs, in labor, fertilizer, etc., put him in debt for $50 to $100.

As a way out of such difficulties, Wood and his neighbors talk of reviving the old tobacco co-operatives, or "pools." But their previous experience with pools has been a tragedy, too. When they had similar organizations, some few years ago, they went into receiverships, and the growers lost their shirts.

The Bluegrass Pool

One pool, across the mountains, in the bluegrass country of Kentucky, did a bit better. It wasn't a huge success, for the original 108,000 members refused to sign up for a third term, so the pool suspended. It held its paper organization intact, though, and is once again ready to operate at Lexington, Ky.

Lexington, with 22 warehouses, is a big "burley" center. The 1931 burley crop is up 150 million lbs. to 480 million lbs. for the year. Burley is used in cigarettes and in smoking tobacco, mostly at home, for only 3% is exported. In the week ending Dec. 19, shortly after the opening, Lexington sold 18,135,250 lbs. for an $11.77 average. This was rather good, all things considered, but so many crops sold for 6¢, 7¢, 8¢ and 9¢ that several planters caused a small disturbance, and a few arrests were made.

At other houses, notably in the dark-fired, or "black patch," through the Hopkinsville, Owensboro, Henderson, Ky., and Springfield-Clarksville, Tenn., section, the planters protested the opening sales, and some of the warehouses were temporarily closed. At Paducah and in Murray and Mayfield, Ky., the Boards of Trade and the growers decided it would be best to delay the market opening until after the first week in January. They needed Christmas money badly, but figured it would pay to wait for an expected upturn after the start of the new year.

Blame the "Big 4"

Pushed to the wall by general conditions, the planters have openly and repeatedly declared that the "Big 4" (American, Reynolds, Liggett & Myers, and Lorillard) are at the bottom of their difficulties. The manufacturers' retort that, all put together, they could not control the price of leaf tobacco in face of the law of supply and de-

mand has not entirely turned away their baffled wrath. The growers have had envious eyes on the "Big 4's" profit figures (aggregating $105 millions in 1930) and cannot see why their share should not be larger.

Meanwhile, bright pools, burley pools, and dark-fired pools are under way in the tobacco states. But the farmers are slow in signing up. Federal Farm Board support of these organizations has been promised, and Chairman James C. Stone ("Jim" Stone, to the tobacco men) was former president of the old Burley Tobacco Growers Cooperative Association.

Suspicious of Farm Board

However, many planters are still suspicious and resentful of the recent methods of the Farm Board in requiring immediate repayment of current seed and fertilizer loans, made to the planters last spring. Collectors of the Farm Board meet the planters at the warehouse doors, demanding a portion of their slim $10 and $25 checks. Up to last June 30 the Board had loaned these planters $2,782,131.97, through the pools, and only collected $580,-178.74. The government needs the money, too.

So Stone has been around the circle, urging planters to curtail crops, and concentrate on better tobacco. Senator Claude A. Swanson, of Virginia, and other political leaders, have asked the Board to "go slow" on loan demands.

Bills have been introduced into Congress designed to help the grower by lightening the tax load on the price of tobacco. But, in the face of the Treasury deficit, it is extremely doubtful if even the new Democratic House Committee of Ways and Means will permit such bills to come to the floor.

Meanwhile, howling down of sales continues at isolated points. Planters "turn" their tickets, indicating no sale at bid prices. They'd rather take their tobacco home, and use it for fertilizer.

Now White Man Teaches Indians How to Trap

Now the white man is teaching the Indian how to trap furs. On the Yakima, Wash., reservation, the Indians have forgotten the ancestral woodcraft, fascinated instead with the automobile and modern civilization.

Hard times have hit the reservation. So Lee Land, of the U. S. Biological Survey, is showing the Indians how to trap beavers, their pelts worth $10, and poison coyotes, at $4 the skin.

Engineers' Brotherhood Bank in Cleveland Closes

ONCE famous as labor's outstanding cooperative financial institution, the Brotherhood of Locomotive Engineers' bank in Cleveland, recently known as the Standard Trust, suspended Dec. 21. Cash of the brotherhood's insurance department is tied up, together with personal funds of members and sizeable public funds.

It is the second of the labor banks to close in recent weeks, the other being the Federation Bank of New York. These closings come after a long decline in this once-famed type of institution.

The decline and fall of the brotherhood bank in Cleveland took more years than its rapid rise. Founded in 1921 by Grand Chief Warren S. Stone as the embodiment of his ideas of labor's participation in finance, it spiralled up to $25 millions of deposits in 1925. With the death of Stone the long slide began. Reorganizations, mergers, changes in name, and other heroic measures have been attempted in recent years.

A year ago the brotherhood began reducing its stockholdings in the bank, but continued to be the largest shareholder, with 40% at the end.

Toledo's Synthetic Puts Color to New Uses

A LITTLE Toledo factory has been running almost continuously in the manufacture of one of the newest products in the new field of plastics—"Plaskon," a synthetic resin of extensive molding possibilities. Early in 1930 the Toledo Synthetic Products, Inc., was organized and in 1931 began production of the material.

Plaskon, no accident, was a deliberate attempt to improve a familiar article. The average scale used in a butcher shop or grocery store weighs up to 145 pounds, and after a salesman had carried such a scale into a store 5 or 6 times a day he was ready to quit. To the Toledo Scale Co. it seemed that each additional improvement on the scale had increased its weight, and so the company set out to find a lighter substitute for porcelain.

The substance had to be white, which custom demands in scales used in modern food shops, and this ruled out one of the oldest of the plastics which could only be obtained in dark shades. So the world's largest scale manufacturers contracted with the Mellon Insti-

tute in Pittsburgh where a series of fellowships were concentrated on the problem. After several years a product was found which met the requirements, but, because of its wide field of application and because of specialization necessary in its manufacture, it was decided that a separately owned and managed corporation was needed for Plaskon.

Plaskon begins with the familiar plastic base, urea in combination with formaldehyde. Its most important qualities are resistance to solvents, mechanical and dielectric strength, and its adaptability to combination with any color: a range of shades from pure white to a definite black, through various pastels, is possible. It is this feature which is expected to make possible the appearance of color where color has never been seen before.

The product molds only under very high pressure—a ton to a square inch—and for the present its uses are confined to articles which can be manufactured in large quantity. An automobile manufacturer has chosen Plaskon for the buttons on the instrument board of his 1932 models. A clock company is using it in a variety of colors for kitchen and bedroom models. It is beginning to be widely used in railroad cars where it is replacing glass shades because it does not shatter easily. Electrical manufacturers are making it up into switch plates and other articles in color. The material is also being made into buttons, bathroom tumblers, bottle caps, screw caps for cold-cream jars, containers for rouge, and ash trays. Some day, the company believes, telephones will be blue or orchid Plaskon.

Air-Conditioning Goes To Sea in New Liners

CONDITIONED air has become a commonplace in the better motion picture theaters and restaurants. A few of the newer offices have it. Dining-cars on a number of railroads, and 2 entire trains on one line, have installed equipment to keep the air at an even temperature and the degree of moisture fixed.

Now the race for comfort and luxury has extended the service to ships. Five new American passenger vessels will install the air-conditioning equipment. The *Mariposa*, of the Matson Line, will be the first to sail with the new equipment. Two more Matson liners, now building, and 2 United States Line vessels, first of which is the *Manhattan*, will also feature the new luxury.

Slump in Canadian Exchange Revives Bad Feeling Toward U.S.

OTTAWA (*Special Correspondence*)—Canada will take action soon to improve the exchange situation. It must, because $360 millions of Canadian public obligations—federal, provincial, municipal, and National Railway—to say nothing of private corporation obligations, mature in New York in 1932. Naturally Canada would avoid, if possible, paying 20% or more premium on these debts, a minimum of $72 millions.

Mr. Bennett, as Prime Minister and Minister of Finance, has tentatively devised plans and has been in consultation with bankers. He has emphatically squelched reports that his government proposed to take Canada formally off the gold standard.

Actual Worth 90c.

The Canadian government is advised by its economists that on the basis of current balance of trade, visible and invisible, the actual value of the Canadian dollar in relation to the U. S. dollar is at least 90¢. Its depression in New York to 80¢ and under is officially attributed here to the unwarranted persistence of New York in coupling it with the pound sterling, and also to the fact that no one has supported the exchange market. The latter factor may suggest the nature of one possible remedy.

There is no exchange market in Canada for handling transactions between this country and Great Britain and foreign countries. All such transactions are cleared through New York where, Ottawa thinks, the price is set largely by caprice and profiteering.

Montreal Market Suggested

Official consideration is being given to the possibility and wisdom of establishing an exchange market in Montreal. But this is largely up to the bankers. In any case, this would not be as an immediate remedy, but would be designed to keep the Canadian dollar out of the control of Wall Street once it was restored to something approaching its actual value.

There is some surprise in Canada that influential interests in the United States concerned for the trade relations between the two countries should apparently be indifferent to Wall Street's treatment of the Canadian dollar. Not only is the condition of exchange having an important direct effect on the balance of trade, but it is tending also to revive bad feeling.

Up until 15 months ago, resentment in Canada against Uncle Sam's treatment of this country, more especially in the Hawley-Smoot tariff measure, was very manifest. It was a not insignificant factor in the bringing about of a change of government. The dissipation of that sentiment during the last 15 months has been brought about largely by Canada's giving to Uncle Sam, in the Bennett tariffs, as good as it had been getting.

Influenced by New York's depression of Canadian exchange, Canadians are looking more hopefully than ever to the forthcoming Empire Economic Conference here, welcoming the prospect of the transfer of some of their business from the United States to Great Britain.

Business, in the larger analysis, may be business, but Jack Canuck does not entirely divorce it from sentiment, as his emphatic reaction to the reciprocity proposal of 1911 so signally testified.

Empire Conference Means Light Schedule for Ottawa

OTTAWA (*Special Correspondence*)—In London Canada's Premier and British ministers agreed that the Empire governments should endeavor to arrive at basic understandings on questions of closer Empire economic cooperation between now and the time the Imperial Conference is to meet in Ottawa. The expectation, therefore, is that agreements will be pretty well worked out in advance.

As it will be desired to have the conference agreements in operation as soon as possible, the assumption is that parliamentary ratification will come soon after the meeting. If the conference comes in July, as scheduled, without the rumored postponement due to British tariff revisions, this probably would entail an adjourned session of the Canadian Parliament in the autumn of 1932.

In that event, most of the more important issues to come before Parliament this year, such as the settlement of the railway problem in accordance with recommendations to be made by the special commission now investigating it, and possibly the proposed St. Lawrence waterway treaty with the United States, would be deferred till the fall. As it is desired to prevent distraction of the government, Parliament, and the country by grave domestic issues on the eve of the Ottawa conference, the session which has been called for Feb. 4 has little in sight for action but further measures for unemployment relief and new taxation.

Underwood & Underwood

CANADIAN PREMIER—*Among Mr. Bennett's problems is the heavy discount on the Canadian dollar in the New York market*

Ottawa Sees No Loss In Ending French Treaty

OTTAWA (*Special Correspondence*)—Canada has given France 6 months' notice of the abrogation of the Franco-Canadian trade treaty of 1922 following heavy increases in French duties against Canadian products and unsuccessful Dominion efforts to effect a revision.

By the terms of the treaty Canada gave to France the benefit of her intermediate or most-favored-nation tariff, also, special—and fixed—low tariff

rates on a substantial line of commodities. France, in return, gave Canada the benefit of her minimum tariffs but retained the right to change the rates at will.

Since the treaty came into operation France has been steadily increasing the minimum duties until the benefits Canada had expected to enjoy from the treaty have largely disappeared. Thus, on 2 commodities which Canada expected to sell extensively to France, wheat and canned salmon, the French minimum duties have become almost prohibitive. The duty on wheat at the time the treaty was made was 28½¢ a bu. and is now 85¢, while the duty on salmon was $1.19 a cwt. and is now $2.94.

The treaty encouraged the importation from France of wines, toilet goods, silks, laces, and other lines of luxury commodities.

Trade between the two countries under the treaty has been fairly well balanced. For the year ending October, 1931, Canada's $15 millions exports to France were slightly in excess of imports from that country, but the year before imports of $22 millions were about $8 millions in excess of exports. Ottawa holds that Canada would buy less and sell about the same without the treaty.

With the termination of the treaty will fall also special duty rates extended by Canada to some 20 other countries, including Belgium, Italy, Spain, Japan, Czechoslovakia, Baltic states, under trade agreements based on the French treaty.

Canada has expressed to France her willingness to negotiate a new treaty.

British Tariff Expected To Help Dominion Wheat

OTTAWA (*Special Correspondence*)—While London is refusing to confirm Premier Bennett's understanding of the basis on which the British government is considering the proposed wheat quota, indications are that Dominion wheat will benefit by Britain's new economic policy.

Mr. Bennett's understanding is that the quota will reserve 15% of Britain's consumption requirements for home wheat producers, 15% for foreign countries, principally the Argentine, and allot the remaining 70% to Empire countries overseas. This would mean much to Canada. Britain's consumption last year is placed at 224 million bu., 70% of which would be 156 million bu. It is officially figured that of this

Dominions' quota, Canada would secure 80%, or 125 million bu. For the last crop year this country sold Britain for consumption only between 70 and 80 million bu. But the principal benefit would be security in the British market. Whatever Canada's share in the quota, it would be guaranteed, free from competition.

However, there is a strong probability that it will not be by the quota method but through tariffs that the Dominions will be given a preference in the British wheat market. The National government's tariff leanings are supported by the British millers. That method also would be more agreeable to the Dominions. In the meantime, concentration of attention on the quota plan serves British political purposes, postponing the issue regarding food tariffs until public opinion more clearly shapes itself. A decision probably will be taken by the British government well in advance of the Ottawa Empire conference.

Railroads Cut Silk Rate To Recapture Traffic

WITH a combined water-rail rate of $9 per 100 pounds against a rate of $6 via all-water, the transcontinental railroads hope to regain some of the silk tonnage which moves from China and Japan to the Atlantic Coast. The new tariff is made possible by acquiescence of the Eastern railroads in a proposal of Western roads, suggested a year ago, to establish a $6 transcontinental rate. The freight from the Orient to Pacific Coast is $3.

In past years all silk shipments took the water-rail route and were handled with the utmost dispatch by special trains rushed across the country. Speed was essential because of the high valuation and heavy insurance premiums. In the last 3 years much of this traffic has been diverted to all-water either direct from the Orient or by trans-shipment to fast intercoastal vessels at California ports. The lower price of the commodity and the consequent lower insurance rendered speed less important.

Seattle receipts of silk in 1928 were 245,478 bales; in 1930, 120,129 bales. Silk tonnage through the Panama Canal in 1928 was 31,319 bales; in 1930, 195,710 bales. More than 50% of the movement is now routed via Panama.

This diversion has been a serious blow to the railroads. The new tariff is expected to prove competitive, due to the time required by water-rail.

Nothing Was Settled at Basle, And Nothing Can Be Next Time

GERMANY'S destiny has become linked to certain fixed dates.

First it was June 21 when President Hoover proposed the moratorium. Then Aug. 19 became a red letter day with promulgation of the "standstill" agreement among commercial bankers as a result of recommendations from the Wiggin committee.

Dec. 10, and Basle, then loomed as the next turning point in Germany's long string of crises. The results of this conference of experts, however, announced Dec. 23, though highly significant, failed to mark another turning point. The committee declared that a fresh study showed it impossible for Germany to meet reparations demands under present world conditions, recommended a moratorium. But nothing was definitely settled.

Now, unless a political crisis develops in Germany in the meantime, Jan. 18 is the day on which all eyes center. France and Britain have joined in an invitation to Germany's creditors to assemble for final action, probably at The Hague. Something has to be done soon, very soon, "if fresh disasters are to be avoided."

Still another date urging action on the German problem is Feb. 29, when the "standstill" agreement ends. Pressed by the knowledge that Germany cannot meet these obligations then, commercial bankers reassembled in Berlin Dec. 28 to attempt to frame recommendations. These too will be considered at the conference in January.

Points of View

The situation to date resolves itself into a handful of facts, declarations, national attitudes:

(1) United States: Congress has ratified the moratorium declared last summer; refused to agree to further prolongation; refused to acknowledge that Germany's reparations and Europe's war debts are connected; is invited to participate at the January conference, is likely to send only an observer.

(2) Germany: The Reich is satisfied that the Basle report is a certificate of Germany's incapacity to meet conditional reparations under present world economic conditions; is confident that, one way or another, reparations will not be resumed in July when the 1-year moratorium ends; will supplement the Basle report with further data on domestic economic conditions for the January conference.

(3) France: Though satisfied that the Basle report did not advocate the priority of private over political debts, the French realize both must be revised; are planning to bargain for a united front with Britain before the formal conferences; are likely to stick for postponement rather than a final scaling down of totals at this time.

(4) Great Britain: Though willing, if necessary, to confine discussions to the reparations-debt problem, but including commercial obligations, the British would like conference agenda to broaden out, include the related problems of gold distribution, tariffs, and currencies.

Sheer Eyewash?

Europeans, generally, interpret international jockeying on payment or nonpayment of reparations and debts as sheer eye-wash since they say Germany is practically united in its determination to pay no further tribute now. Not a few creditors, whether they agree with just this view, have reached the point where they see no other way out and, therefore, are willing to have the buck passed on to the United States if possible.

On the other hand, there are informed observers who have sufficient faith in Germany to believe that, if someone, particularly the United States, took the initiative in formalizing some sort of a 10-year plan for settlement such as the Germans themselves have proposed, Germany would go the limit before she would betray this confidence.

Such a plan, however, would demand a world-wide reconsideration of tariffs in order to allow Germany regularly to export a surplus. Present trends are in the opposite direction.

The upshot of the January conference is likely to be a 2-year moratorium on reparations with a parallel 2-year moratorium, or default if that is necessary, on war debts. And before that time has elapsed Europe feels that it is inevitable that individual modifications of the whole debt situation will have taken place.

And in the interval between now and Jan. 18, important developments in Central Europe or in inter-country preliminary conversations may profoundly alter the entire conference.

Dollar Buys 7 Ships Of Tacoma Oriental Co.

DOLLAR lines have bought the Tacoma Oriental Steamship Co., with its fleet of 7 Shipping Board type 8,000-9,000 ton freighters. This rounds out Dollar domination of American shipping on the North Pacific.

American tonnage is profiting just now by the Chinese boycott on Japanese goods.

The Tacoma line operates on two routes, one to North China, one to South China and the Philippines.

The American Mail Line, a Dollar company, will become general agent for the Tacoma line in the Far East. Personnel will be unchanged; Tacoma capitalists have retained part of their original holdings.

The Shipping Board operated the Tacoma ships for several years after the war with the Dollars as managers. In 1928 Dollar tried to buy them.

Halibut Fishermen Ask Split Closed Season

INSTEAD of the present agreement with Canada which stops halibut fishing from Nov. 1 to Feb. 15, the Seattle association, representing 250 schooners employing 2,000 men, favors a closed season Nov. 1 to Jan. 15 and a month's closed season in the summer. The idea of splitting the closed season is that less fish would be cold storaged and the market less depressed by big stocks on hand.

Prince Rupert, B. C., fishermen have suggested a plan whereby each owner would select the 3½ months closed period to suit his convenience. Proper representations to the two governments are being prepared.

Spain Will Bargain Behind Tariff Wall

THE same drastic determination which prompted Britain to protect business behind a tariff wall is encouraging Spain to new tariff schemes.

First announcements of privileges to be granted to those countries buying heavily from Spain (*BW—Dec30'31*) are followed by the placing of imports (notably automobiles, tinned goods, electrical equipment) on a contingent basis. Armed with this weapon, the government is going out to bargain Spanish purchases against a wider sale of domestic products abroad.

Business Abroad—Swift Survey Of the Week's Developments

Pessimism and uncertainty greet 1932. **The holiday lull in the long chain of crises did nothing to improve business prospects. . . . Britain is absorbed in heavy tax payments due in January, worried over the debt problem, generally depressed. . . . France is increasingly less prosperous. . . . Germany has pinned languishing hope on the January debt conference. . . . Italy is holding her own. . . . Japan is trying to clear up Manchuria by New Year. . . . All energies and many business hopes now center on preparations for the international conference on debts and reparations, Jan. 18.**

Year-End Lull Deepens Pessimism in Europe

EUROPEAN NEWS BUREAU (*Radio*)—On Wednesday, Dec. 23, the 11 experts at Basle signed an unexpectedly positive report admitting that not only was Germany incapable of meeting the transfer of reparations and entitled to demand a moratorium but "adjustment of all reparations and war debts—and this without delay if new disasters are to be avoided—is the only lasting step capable of reestablishing confidence."

On the same Wednesday, the American Senate ratified the Hoover moratorium, but with the reservation that the plan was contrary to the will of Congress, that no extension would be considered.

The following are the reactions voiced by the press virtually throughout Europe:

(1) At least for the time being, Congress has definitely closed the door to debt revision which the Basle experts declared not only imperative but urgent;

(2) Unless the attitude of Congress is modified the most important ultimate result will be coalescence of debtor Europe into a unified recalcitrant bloc suspending payments till the United States is forced to agree to a revision;

(3) In immediate effect the most which the January conference of creditor powers can now expect to accomplish is an extension of the German reparations moratorium with or without a parallel extension of the war debt moratorium by Congress;

(4) Regardless of Congress, nonpayment of reparations and war-debts will become a practical certainty for at least the next 2 years, whether under a moratorium or through outright default;

(5) As for private debts and the German "standstill" agreement (which the Berlin conference before the Christmas recess was unable to agree either to terminate, modify, or prolong), and the Hungarian moratorium, they will probably prove to be the precursors of a succession of further defaults—first in the Balkans, but perhaps extending to other countries. Austria is expected next. The disposition is spreading to view defaults of actually insolvent countries as realistically sounder than attempts to maintain a fictitious semblance of national solvency when by exchange restrictions private payments actually are embargoed.

The next step in Europe probably will be an informal meeting of the leaders of the creditor powers, notably MacDonald and Laval, in order to establish mutuality of viewpoint (1) toward Germany; (2) toward the United States, and this prior to the opening of the conference on Jan. 18, of The Hague or in some Swiss city nearer Geneva.

2-Year Plan

The probable upshot of the January conference will be a 2-year reparations moratorium parallel to a 2-year default or moratorium on war debts. Any revision of the debt structure proper appears impossible at present. Moreover, no uniform revision can equitably be made since the occasion for revision varies greatly as between debtors.

France, for instance, already has been reprieved of nearly half her debt to the United States under a previous settlement and today is in a relatively more favorable economic condition, whereas Britain, to whom the least concessions have been made, is today in the greatest of economic difficulties. But if reparations are suspended, there remains no war debtor able to meet obligations to the United States. Thus again no economic recovery appears probable within the measurable future, which will restore prices to the levels to which the existing debt structure originally was adjusted and on which resumption of payment again will be possible. Individual modifications fitted to individual circumstance appear inevitable; Europe does not believe the United States has spoken the final word.

In the 2 years from 1929 to the close of 1931, European conditions have reverted largely to those prevailing immediately after the war except that no war damage remains to be reconstructed, and the productive equipment of all countries has been expanded far beyond the pre-war levels.

The year is closing with activity at the lowest point yet reached, except for the degree of inflationary activity in England reflected in the substantial drop in unemployment which is in striking contrast to record levels in all other countries. Commodity prices are stubbornly holding to levels of recent months. In fact, the current period of price stability is the longest since the depression began—with jute alone showing an appreciable recent decline, while tin and copper have substantially advanced.

Exchanges Are Steady

Security values are slightly above the year's lowest. Exchanges are relatively steady; sterling is benefiting from India's unprecedented gold shipments, reflecting liquidation of India's hoard as natives cash in at the higher purchasing power obtained since gold is at a premium.

The epidemic of trade treaty revisions has extended in all directions. There is scarcely a country in Europe but is negotiating with others for treaty revisions.

Of particular interest to the United States is the French extension to Rumania of preferential duties on grain, already accorded to Hungary and Yugoslavia, against reciprocal concessions of duties on manufactures; and the doubling of the German import contingent of Soviet cereals to compensate Germany for inadequately protected industrial exports to Russia.

Reich Scans Debt Report; Quiets Russian Rumors

Christmas business better than expected, but yearend lull bad. . . . Unemployment up. . . . New trade arrangements with Russia and France. . . . Moratorium problem overshadows everything.

BERLIN (*Cable*)—In spite of the absence of specific recommendations in the Basle report, German reaction is favorable. Satisfaction is felt that the report is an acknowledgment of German difficulties, of the genuine efforts

and of the imperativeness of exports as a means of transfer.

The Berlin "standstill" conference made little progress before the Christmas recess, but the increased possibility of a 6-month or 1-year prolongation and of a German one-sided moratorium is in the background as an alternative if negotiations, after all, fail.

The all-round price and wage cuts are proceeding in accordance with schedules in the last emergency decree. In spite of favorable public reaction, and of the loyal support of Bruening's action by business, doubts are increasing as to whether a final price readjustment downward of only 10% is sufficient to meet currency depreciations among competitors, and whether Germany finally will not be forced to devaluate the mark to a basis of 80, possibly 70, pfennings, in spite of all the sacrifices imposed in the decree and met by business.

After-Christmas Lull

Business since Christmas is reflecting a greater than ordinary lull. Many manufacturers are using inventories as a pretext not to open before New Year. Christmas trade, in spite of foreseeable further price cuts after New Year, was generally above expectations, notably for clothing and shoes. The number of unemployed in mid-December was 5,349,000, an increase of 290,000 for the half month. To labor observers this suggests that the winter peak may surpass the 6 million total on which financial relief calculations were based.

Many rumors and a lot of worry were dispelled when the Russo-German negotiations for the extension and stabilization of mutual trade were concluded with the announcement from the German section of the conference that "there was no evidence whereupon apprehension could be founded that Russia would be unable to pay her commercial debts."

Planned as a result of the negotiations is an increase in the volume of goods which Germany will import from Russia. At the same time that these are satisfying German deficiencies they will be helping to equalize the Russo-German trade balance and so form a sort of security for payments to Germany on huge equipment sales to Russia. Persistent rumors that Germany has already purchased 400,000 tons of Soviet grain under the new plan are as yet unconfirmed.

Also of interest to Germany is the signing of the contract by the French Ministry of Agriculture to "buy German nitrate in sufficient tonnage to satisfy the needs of French agriculture and industry." Total French nitrate requirements are estimated between 350,000 and 400,000 tons annually, more than half of which have been supplied by Chile. The fixed amount contracted from Chile will continue to be purchased, but it is expected the majority of the balance will come from Germany under the new plan.

Unemployment Climbs Rapidly in France

Conditions less favorable. . . . Unemployment up another 13%; rail receipts down 13%. . . . Government aids Bank of France. . . . New trade arrangements with Rumania.

PARIS (*Cable*)—Neither the Basle report nor the Congressional reservations relating to prolonging the moratorium have displeased the French. The former recommended nothing incompatible with the French viewpoint, and if it went beyond its scope in recommending basic debt adjustments, it pointed the finger of responsibility to the United States.

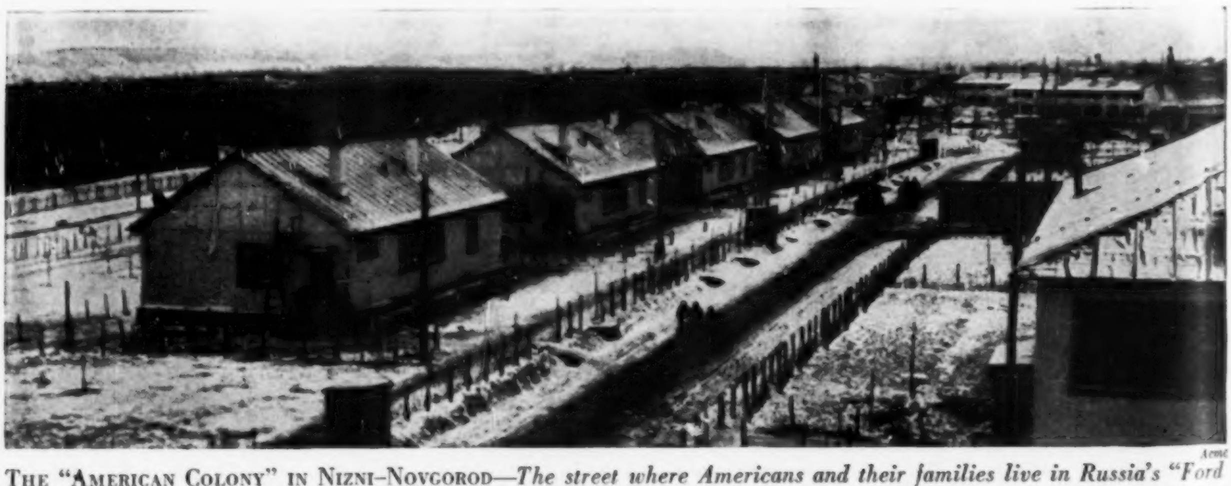
Meanwhile, the Congressional reservations have brought down upon the United States the same sort of accusations of selfish obstructionism as hitherto have been heaped upon the French. The immediate result is the tendency of France and England to draw together against Germany and the United States.

No Comfort from Congress

There remains, nevertheless, the underlying uneasy consciousness that reparations and debt adjustments sooner or later are inevitable. However, much as the new intransigence of Congress may relieve European reparation creditors morally, it will, unless modified, equally hold European war debtors practically committed to the debt burden which they cannot expect indefinitely to unload upon Germany, but which they themselves are not able to sustain.

Domestically, conditions are steadily going from bad to worse. Christmas week brought another 13% increase in unemployment, which is estimated now to total 3 millions when unregistered part-timers are included. Metallurgical and coal consumption are down 23%; rail receipts are off 13%. The Bank of France's dividend of 385 francs compares with 630 francs last year.

Parliament, in its last minute windup of the particularly stormy extraordinary session, approved the convention by which the government shall give the Bank of France a treasury bond equal to the deficit of approximately $100 millions caused by the losses on sterling.



Acme

THE "AMERICAN COLONY" IN NIZNI-NOVGOROD—*The street where Americans and their families live in Russia's "Ford City." This is the town built by the Austin Co. of Cleveland, to be the Soviet automobile center. American technicians here will teach the Russians to step up production to the 140,000 cars a year originally planned*

The government sinking fund then will give in exchange for that bond other negotiable bonds. Repayment will be made partly by a government budgetary annuity and partly by the Bank of France itself.

Also ratified on the long list of projects on the legislative program was the second instalment of the equipment program, which may bring some unemployment and industrial relief. The $124 millions state railway bond issue to cover the deficits for 1930 and 1931 was finally ratified.

Ship Relief Delayed

The budget bill was carried forward to the Parliamentary session which opens Jan. 12. Also delayed, but only by the Senate, was the measure extending a credit of $12 millions to the French Line, but only after it was agreed that the government should have a majority on the Board of Directors of the line.

Continuing the epidemic of trade agreements, France has negotiated a new trade agreement with Rumania. In exchange for greater French imports of Rumanian grains, the Rumanians have agreed to a duty reduction on French textiles and ready-made garments, automobiles, and perfumes—all items which Americans have supplied at least in part to Rumania.

Britain Strengthened By Gold From India

Yearend slackness accentuated by worry over heavy January taxes, uncertainty over debts. . . . Influx of Indian gold helps steady sterling. . . . Textile strike probable.

LONDON (*Cable*)—Business was more slack than usual during the Christmas season this year but the better stock market tone, despite the small volume, is encouraging. The Basle report is construed as the inevitable forerunner of a general European default to be announced at the conference which will convene Jan. 18. Britain is likely to insist if there are no reparations, there will be no war debts. Such a possibility is both regretted and welcomed, is described in influential quarters as an end to the nightmare of impossible burdens. Investment weeklies are already surveying the probable course of markets in case there is a general default.

The firmness of sterling confounds the prophets but they believe it is due to the large influx of Indian gold which between Dec. 13 and Jan. 9 will average nearly £2½ millions per week, with the aggregate since October £22 millions. Indian exporters are actuated by the possibility of a good profit and bazaar rumors that other important countries are about to leave the gold standard. After centuries of gold hoarding, India may represent a virtual new gold field already supplying more per week than the Transvaal produces. This unexpected factor promises incalculable effects on the British position.

There is increasing prospect that employers and weavers will come to no agreement before the present hours and wages contract terminates at the end of the year. This means a stoppage in the textile industry which will react badly on general industrial morale, already sliding from recent buoyant heights.

Italy Finds Business "Not So Bad"—Relatively

Business depressed but comparatively not so bad as the rest of Europe . . . . Balance of trade improving sharply . . . . Industrial activity, except in rayons, down . . . . Situation under control.

MILAN (*Cable*)—Apart from the transient Christmas stimulus, conditions continue to be severely depressed and prospects are uncertain, but comparatively Italy is better off than many other European countries. Briefly summarized the status of the principal indicators near the end of the year is as follows:

(1) **Stock Exchange**: Weak and dull, notwithstanding the recent financial reorganizations; year-end prices may be expected to average 20% below last year.

(2) **Industry**: Consumer industries are feeling the usual slackness following the termination of seasonal activity during the 2 previous months. Basic industry is dull, though less depressed than elsewhere. Iron production for 11 months, for instance, is down only 5% when compared with last year's level; steel is down 20%; cement (for 10 months) down 11%. The heaviest decline is in the superphosphate industry which is 42% below 1930 levels. Rayon, still the bright spot, is up 14%.

(3) **Unemployment**: The increase of 64% over last year to 878,000 at the end of November is relatively unrepresentative since it far exceeds the degree of business decline which caused it.

(4) **Credit**: There is a slight decline in the number of business failures, but collections are still most difficult.

(5) **Trade**: The 65% improvement over last year's heavy adverse balance of trade is the country's brightest economic factor, though it was accomplished on considerably reduced volume of foreign trade.

(6) **Government Finances**: Notwithstanding the restriction of expenditures, a still greater fall in revenues has resulted in deficits monthly; for the first 5 months of the present fiscal year the total (to the end of November) was $73 millions.

(7) **Bank of Italy**: The bank is continuing its deflation policy, and the conversion of gold exchange into actual metal. Cover recently has risen slightly, is now 40%. The lira, however, is weak against the dollar, attributable to seasonal outpayments and to a decline in remittances from the United States. The weakness probably would be more pronounced were it not for the prohibition on dealings in futures to prevent organized bearing on the lira by international speculation, which recently successively attacked sterling, the dollar, and the florin.

Italy's constantly improving merchant marine—brought to world attention with the recent merging of the entire shipping business into 2 great groups—launched another fast liner for the South American service this week. The maiden voyage of this addition to the Cosulich Line is scheduled for next August.

Latin America Swells The Moratorium List

Venezuela and Costa Rica declare moratoria, Uruguay extends the present moratorium. . . . Chile likely to lose important part of French nitrate market.

CHRISTMAS brought only a new harvest of moratorium extensions in Latin America, a fresh threat to Chilean nitrate exporters, and tentative agreement to a trade pact between Brazil and Uruguay.

Surprise to the public is the announcement from Caracas that Venezuela, due to a scarcity of dollar exchange, will discontinue payments abroad for the time being. Deposits will be made in domestic banks of the amounts due on collectible bills. Plans to leave the exchange risk to be borne by the drawees, however, have brought forth such a storm of complaints it is possible some revision of this stipulation will be made. Just now it is hoped that the

coffee export season will bring enough dollar exchange to meet accumulated bills.

A similar plan has been announced by Costa Rica, though in this case provision is made for an additional marginal deposit in domestic banks to meet a possible exchange depreciation.

Uruguay has already practiced a moratorium for 5 months on foreign bills. Now Montevideo has extended it for 1 year, until January, 1933, but has stipulated that bills will be payable to domestic banks in pesos on a monthly instalment basis.

Though Argentina has found it uneconomic to join the Brazil–Uruguay–Argentine group for a sort of customs union, Brazil and Uruguay have reached a partial agreement for free trade on a list of specified articles.

The announcement from Paris that France will buy an increasing volume of nitrates from Germany has affected the Chilean outlook. Chile nitrate producers have a contract to supply a fixed amount to France, but shipments above this contract are likely to dwindle under the new Franco–German agreement.

New Year Prospects Uncertain in Far East

Business developments await adjustment to depreciated yen, outcome in Manchuria, moves by new Chinese government . . . . Markets moderately active.

DESPITE the rapidity with which new situations are developing in the Far East, there is little change in the business outlook.

China's new government lineup has all the aspects of a coalition aimed to hold the country together, but there is as yet little confidence in it. Not a few observers expect Chiang Kai Shek to become a dominant figure again. There is faint encouragement in the fact that rival factions are to man the executive council. In the history of the young Chinese republic, this is progress.

Japanese interest is centered in the new campaign to clear Manchuria of bandits, probably the final drive which will end at Chinchow. What agreement will follow then will determine the future course of Japan in Manchuria.

Meanwhile business is slack though less affected by Christmas than in Europe. Japanese commodity markets are moderately active, money markets quiet. The year's unfavorable balance of trade to Dec. 25 was $39½ millions.

The Figures of the Week And What They Mean

A slowing down of production activity characterized the holiday week, with retail trade reported considerably under the Christmas buying of 1930. . . . **Steel activity declined less than last year and trade papers are optimistic as to the prospects for the new year. . . . Coal and electric power production declined, as did carloadings, but this was expected. . . . Check payments outside of New York have been gaining in the past 2 weeks and turned our general index of business activity slightly upward. . . . Currency circulation received a further upward impetus, partly seasonal and partly due to some increase in hoarding.**

ESTIMATES of steel mill activity during the Christmas week vary. *Iron Age* calls attention to some resumption of operations at Pittsburgh, Youngstown, and Wheeling, but a sharp curtailment at Chicago. Nevertheless, this paper places operations at **22% of capacity** against 21% the preceding week. Dow, Jones estimates activity at a shade more than 20% of capacity compared with 24% the preceding week. This leaves our adjusted index unchanged at 38% of normal.

The interest in production at the moment is still subordinated to the problem of price stability. The decline in operations at the end of December is expected. In the past, orders have been accumulated during the month for shipment after the inventory period. This enabled the steel industry to step up activity immediately after the holidays. At present there is some doubt that the traditional course will be followed. There has been very little accumulation as consumers feel confident that they can still obtain supplies at short notice for prompt shipment. The recent weakness in prices has confirmed the wisdom of a waiting policy. Hence, the chances are that a real spurt in activity will be postponed further into the year, though the hope remains that the next few weeks will at least show a steady improvement.

The trade paper *Steel* has taken an optimistic view on the prospects for 1932. It points out that structural steel awards for the past week were the largest since October, totaling nearly 45,000 tons. Awards for the year which now approximate 1,767,000 tons are only 100,000 tons under those of 1930. A number of large pipe line projects are in the offing. Municipalities may purchase cast iron in the near future, while the railroads are expected to be in a better position after the coming rate increases and wage reductions. In the first 11 months of 1931, the roads placed only 12,302 freight cars and 123 locomotives in service compared with 75,936 freight cars and 744 locomotives in the same period of 1930.

The *Iron Age* mentions an increase in orders from the automotive centers for sheets and strip steel, and increased specifications from the farm implement industry. The official figures on automobile production in the United States and Canada during November totaled 70,114 cars and trucks which is some-

	Latest Week	Preceding Week	Year Ago	Five-Year Average 1926-1930
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY........	*64.4	†63.9	77.3	......
Production				
Steel Ingot Operation (% of capacity)	20	24	24	49
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$5,594	$6,181	$9,132	$17,253
Bituminous Coal (daily average, 1,000 tons)	*1,175	†1,215	1,579	1,807
Electric Power (millions K.W.H.)	1,565	1,676	1,617	1,513
Trade				
Total Carloadings (daily average, 1,000 cars)	97	102	119	141
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	64	66	75	86
Check Payments (outside N. Y. City, millions)	$4,042	$3,973	$4,999	$5,744
Money in Circulation (daily average, millions)	$5,727	$5,599	$4,977	$5,074
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.51	$.53	$.70	$1.15
Cotton (middling, New York, lb.)	$.065	$.063	$.099	$.161
Iron and Steel (STEEL composite, ton)	$30.16	$30.28	$31.66	$35.39
Copper (electrolytic, f.o.b. refinery, lb.)	$.073	$.069	$.102	$.142
All Commodities (Fisher's Index, 1926 = 100)	66.7	67.0	79.0	92.4
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$1,992	$1,949	$1,386	$1,627
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$20,734	$20,963	$22,985	$21,848
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,386	$7,471	$8,421	$8,876
Security Loans, Federal Reserve reporting member banks (millions)	$5,733	$5,741	$7,779	$7,075
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	.....	$611	$1,926	$3,437
Stock Prices (average 100 stocks, Herald-Tribune)	*$90.52	$91.65	$131.07	$148.52
Bond Prices (Dow, Jones, average 40 bonds)	$76.37	$75.71	$94.64	$95.96
Interest Rates—Call Loans (daily average, renewal)	3%	2.5%	2%	5.7%
Interest Rates—Prime Commercial Paper (4-6 months)	3¾-4%	3¾-4%	2¾-3%	4.4%
Business Failures (Dun, number)	563	677	457	416

*Preliminary †Revised

what larger than the early estimates of 65,500. Compared with the 81,582 units in October, a 14.1% decline is indicated. Compared with the 142,161 units produced last November, the decline approaches 51%.

Building Contracts

A further decline in building contracts awarded during the third week of December places the daily average awards of the first 19 business days nearly 20% behind November. Since December will have 3 more days than the preceding month, it is probable that the total for the month will show some increase over the $151,195,900 of November. Already some $100,446,500 have been accumulated. The adjusted index for the 4-week period ending Dec. 18 declined to 37% of normal compared with 40% the 2 preceding weeks.

The chief factors in the further backsliding of construction were residential and public works and utility awards. The former now total $28,214,700, equal to a 24.6% drop from the November daily average. The latter, while still the most important awards of the month, lost the gain over November indicated in the first half of the month and now lag 2.7% behind the daily average of the preceding month. Non-residential awards were prominent in the past week, though the total of $34,128,600 represents a 29.4% decline from the November daily average.

Coal production has begun the year-end slump. Bituminous output has declined steadily since the middle of October with one exception. The adjusted index remains at 54% of normal for the weeks Dec. 12 and 19. Anthracite production was curtailed 27% from the preceding week.

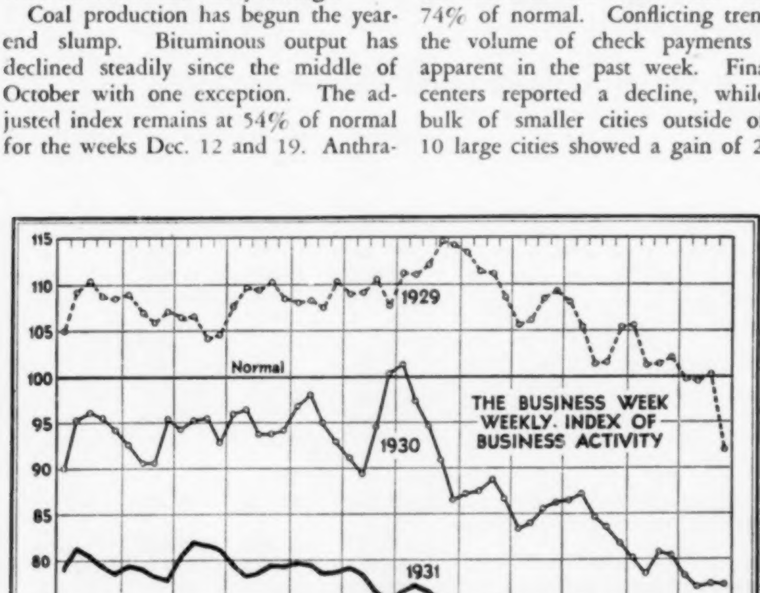
The data on electric power cover the Christmas week and are heavily influenced by the day of the week on which the holiday falls. The adjusted index fell to 80% of normal compared with 82% the preceding 3 weeks.

Carloadings Decline

Carloadings continue their seasonal decline. For the week of Dec. 19 only 581,733 cars were shipped, a decline of 5% from the preceding week and more than 18% from a year ago. Miscellaneous and less than carlot freight fell off 3.4% in the week and is 14% below last year. The decline for the week was about half of the decline of the same weeks of 1930. The adjusted index based on these 2 groups remains unchanged at 63% of normal.

Net income for November as reported by the first 67 railroads is running nearly 41% under last year, in spite of every effort to reduce expenses. With some relief in sight from an anticipated wage reduction coupled with a new schedule of rate increases to take effect early in January, a better showing is probable in the next few months. The most certain improvement, however, still hinges on increasing the volume of freight shipment.

The sharp rise in bank debits a week ago plus a further gain of 1.7% during the past week of Dec. 23 has lifted our index of this series from 70% to 74% of normal. Conflicting trends in the volume of check payments were apparent in the past week. Financial centers reported a decline, while the bulk of smaller cities outside of the 10 large cities showed a gain of 2.7%.



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

New York City alone reported check payments more than 7% under the preceding week.

The upward trend of currency circulation in December was largely due to the seasonal expansion of trade requirements, though the increase in the number of bank failures has undoubtedly precipitated another flurry of hoarding in some communities. The adjusted index of money in circulation stands at 34% above normal for the week of Dec. 26, compared with 33% above the preceding week.

Commercial loans declined $85 millions during the week of Dec. 23. Our adjusted index stands at 7% above normal compared with 6% above the preceding week.

The short week interrupted by the holidays served as a damper on most trade activity. Trading in the nonferrous markets was slow with prices of zinc, copper, and lead steady. Silver tended slightly lower, as did tin. Foreign consumers are expected to enter the copper market, as they are not covered so far in advance as domestic consumers.

Corn and wheat prices fluctuate from day to day. Cotton prices improved. Japanese buying is still apparent. Coffee, sugar, cocoa, and rubber made gains. The expectation of agreement on sugar restriction in the coming conference stimulated buying.

Steel price declines due to concessions are still upsetting the market, though an effort to stabilize quotations is being made at Chicago by announcing a $2 increase per ton on bars, plates and shapes.

Trends of the Markets In Money, Stocks, Bonds

What will be January's trends in money and credit? . . . Congress and confidence will determine them primarily, and they will play an important part in shaping the future of business. . . . Year-end seasonal factors predominated in the money markets. . . . Stocks and bonds fluctuated at about the lowest prices reached thus far.

Credit Trend Depends On Answers to 5 Questions

MONEY markets this week reflected the expected seasonal tightness with depreciation of foreign exchanges. Call money rose to $3\frac{1}{2}$% for the first time in a year, the federal Treasury paid $3\frac{1}{4}$% for short-term money and the federal fund rate rose.

But this routine movement was relatively unimportant compared with the question of what monetary trend prevails in January. Five interrogation points stand out, the collective answer to which—when supplied—will have widespread significance.

1. What will be the scope of governmental money operations? The demands of the Treasury will do much to determine the course of rates, the supply of funds to business and the amount of buying power which will be left for other securities. The Congressional decision on the revenue program will provide the answer.

2. In what volume will currency return to the banks from holiday withdrawals? Bank lending power and condition hinge in considerable part on the answer.

3. What will individuals do with their year-end dividend and interest payments, and with proceeds from tax sales? Security prices, consumer purchases and money rates will be influenced by the answer.

4. To what extent will debtors be able to meet their January obligations, both short- and long-term, foreign and domestic? An appreciable number of defaults is likely to mean further discredit, while confidence will be stimulated if the answer is favorable.

5. What will be the course of bank credit? The answer to this one will be shaped primarily by those made to the first 4 questions. Favorable developments will greatly strengthen the nation's banks, will probably stop the disastrous deflation which has marked the closing months of this year, will go far to re-establish confidence, will do much to determine the course of security prices, business, money rates, and commodity prices.

A situation with so many variables cannot be forecast with any degree of confidence or accuracy, nor will the complete answer be evident for several weeks. Fundamentally, Congress and the state of public confidence—or lack of confidence—will determine the trend.

Looking Up From Bottom, Stock Market Sees Light

STOCK prices closed the second year of the bear market with the outlook badly obscured though shot with a few streaks of light, with quotations at approximately the bottom for the whole period, 50% below a year ago, 75% below the 1929 highs. Seven successive major breaks—1 in 1929, 3 each in 1930 and 1931, as the chart shows—have brought prices to their present level.

The course run by 1931 was almost identical with that taken by 1930, though at a level decidedly lower. And in both years the trend of stock prices coincided almost exactly with that of business activity, as can be seen by a comparison of the chart on this page with that on page 36. Factors affecting business and stocks are, of course, almost identical, with business profits being translated into stock prices.

Looking to 1932 as a whole the market sees little certainty ahead. However, developments are under way all along the line, though held somewhat in abeyance during the holidays and the adjournment of Congress. Those which occur in the banking situation, in the

solution of foreign problems, and in the recovery of the bond market will be the most significant.

The immediate outlook tends toward cheerfulness. January should see a considerable reinvestment demand for securities develop from the large funds paid out in interest and dividends and from the proceeds of recent sales to establish losses for tax purposes. Outside the market itself, movements toward the Reconstruction Finance Corporation probably generate the most good feeling. Progress on the railroad problem is important, the outstanding factors being acceptance of a wage cut by many Southern Pacific shopmen, higher rates due to go into effect Jan. 4, and start of credit pool operations.

The new series of conferences now in view may get to the heart of the international situation.

Bonds May Rally But Real Relief Is Still to Come

THE bond market closed its most disastrous year since the immediate post-war period with prices sliding back a little from the tiny rally of mid-December. It occupies a position near the center of the financial stage, because upon it hangs the fate of many financial institutions.

As in stocks, the immediate outlook seems to indicate some rally in prices due to reinvestment demand. But the longer term outlook depends upon relief from the state of discredit into which fixed-interest-bearing obligations have fallen. Whether that relief will come depends upon the prospective ability of corporations and governments to get enough receipts to carry the load of fixed charges under which they stagger. Their success depends upon the course of prices as well as upon the volume of business forthcoming.

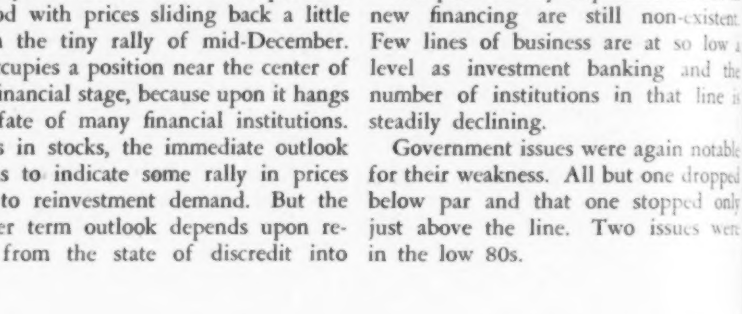
Favorable Factor

One noteworthy factor would seem to favor the bond market: since bonds are obligations prior to stocks, logic would indicate that new security buying should go chiefly into bonds until they rise toward par. Yet even this argument is unconvincing, for in real trouble loans might suffer more than property ownership.

Financial institutions still appear to be selling bonds, still striving for greater liquidity. However, the state of the market limits their sales to small volume. The selling pressure would be heavier if they had not been relieved from the necessity of writing their bond holdings down to current values in preparing year-end statements.

Prospects of any important revival in new financing are still non-existent. Few lines of business are at so low a level as investment banking and the number of institutions in that line is steadily declining.

Government issues were again notable for their weakness. All but one dropped below par and that one stopped only just above the line. Two issues were in the low 80s.



Wide Reading

THE CRISIS OF THE GOLD STANDARD. John H. Williams. *Foreign Affairs*, January. An ABC discussion of what has happened to gold since the War.

STANDARDIZING VALUES. Walter A. Terpenning. *Forum*, January. Instead of worrying over the fluctuating value of the dollar, substitute in contracts for future payment a fixed volume of specified commodities which it must buy.

UNITED STATES, INC. *World's Work*, January. The balance sheet of the country at the year end. In 3 pages, summary of what the depression means to business.

CHIEF OF THE SCRIPPS NEWS FALCONS. Harry Salpeter. *Outlook and Independent*, Dec. 23. A portrait of Roy Howard, boss reporter.

THE BANK CRISIS IN AMERICA. Dr. Leonhard Oberascher. *Living Age*, December. A German economist looks at the American financial crisis—sees in the remedies so far proposed nothing that will save the situation.

PERILS OF AMERICAN POWER. Reinhold Niebuhr. *Atlantic*, January. We lack an intelligent labor movement to act as a check on imperialist ambitions. We need a wider and wiser self-critical group in the population.

THE AMERICAN INVESTMENT IN GERMANY. William O. Scroggs. *Foreign Affairs*, January. Analysis of the government and corporate lending of the United States to Germany.

PHILOSOPHER-AT-LAW. Joseph Percival Pollard. *Forum*, January. The career of Judge Benjamin Cardozo.

THE WHITE GOD CRACKS. Wayne Gard. *North American Review*, December. The white man no longer is treated as a god in the East. Profitable contacts with the Orient will continue but the white will not go there as a sharper, a despot, or a Pharisee.

POLICY TOWN. *World's Work*, January. Hartford, Conn., in business silhouette.

BOOKS

NEW ROADS TO PROSPERITY. Paul M. Mazur. Viking, 194 pp., $2. Proposes a National Economic Council, changes in both the national and international banking systems, a new plan for widespread consumer financing, a new policy for dividends.

AMERICAN INDUSTRY IN EUROPE. Frank A. Southard, Jr. Houghton Mifflin, 264 pp., $3. Detailed survey of the actual extent and nature of American industry in Europe by country and by industry.

JAPAN. Harold G. Moulton. Brookings Institution, 643 pp., $4. The plan for Westernization which Japan has followed; the country's present economic status; its rôle in the future.

ECONOMIC CONDITIONS IN CHILE. E. Murray Harvey. His Majesty's Stationery Office, London, 101 pp., 3s. Government report covering 1930.

INCREDIBLE CARNEGIE. John K. Winkler. Vanguard, 307 pp., $3.50. Pleasant side of Carnegie's career, with sidelights on Henry Clay Frick.

POWER ETHICS. Jack Levin. Knopf, 191 pp., $2. Analysis of the activities of public utilities based on a study of the Federal Trade Commission records.

THE BUSINESS WEEK

The Journal of Business News and Interpretation

January 6, 1932

Bend to the Oar

BUSINESS during the past two years—even the past seventeen years, for that matter—has been profoundly affected by disturbing influences mainly outside itself, chiefly foreign in origin. First a world war, begun by others, involved us willy-nilly, created an abnormal demand, mobilized our economic energies to meet unnatural needs, built up industries on a lop-sided basis, piled up an enormous domestic and foreign debt, led to the usual inflation of prices and wages. Then with the sudden cessation of this artificial stimulus, followed another more natural but equally abnormal, as the war-shattered nations of Europe called for our goods and credit for reconstruction.

These most urgent needs supplied, there came the sharp, swift interruption of 1921, from which we swung into the task of filling the deferred demand of our own people for more and better buildings, automobiles, radios, improved industrial equipment, and encouraged all the rest of the world to do likewise with the credit we were able and over-eager to supply on the basis of the great gold flood the war and post-war period brought us. And so, through Model A, to the investment trusts, the stock-market boom, the crash of 1929, the hesitations of 1930, the depression disappointments, debt defaults and melancholy moratoria of the year just past.

Altogether a tale sufficiently told, a tale of sound and fury, signifying nothing in the end except that, so far as our own real interests are concerned, we have spent too much time at sea and been away from home too long. This stormy passage, with some seasons of very sunny weather and a concluding cyclone, in the past seventeen years may have taught us something about seamanship, but it has complicated and confused the tasks of the captain and the crew of every individual canoe in the flotilla of American business. It has made many of us lose our bearings, forget how to paddle, attempt to steer a course by charts that are cock-eyed and out of scale, showing harbors, currents, whole continents that are simply not there any more.

This epoch of aimless, enthusiastic and distracting adventure and external disturbance we believe is about ended at last. Some further squalls from overseas may be expected before the long, long war that began in 1914 has blown itself out to its ultimate economic liquidation. How long it will be before we can count on sailing into quite calm waters again no one can say surely. But the period of readjustment and settling down to our domestic muttons has set in.

This year we shall be able at least to begin looking at our own problems again in the normal perspective of our unique national progress during the past century and a half rather than against the background of an alien Europe during the past seventeen years. We can resume in a measure estimating our opportunities against our own capacities and resolve to realize them out of our own resources, which is the beginning of wisdom.

In each individual concern this task of reorientation will confront the responsible executive. It does not necessarily imply an abandonment of hopes, a scrapping of plans, but rather a re-vision of them in the light of the realities to which the country and its business structure have returned after long interruption by external circumstances. In this task each will need the aid of others faced with the same problems and of all and any supplied with special insight.

On this page we hope in the coming year to help both by frank discussion of some of the difficulties that confront us as well as by pointing to some of the opportunities and potentialities that this new period promises us.

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